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From: [REDACTED]
Sent: February 27, 2012 8:59 PM
To: PUB Muskrat Falls Review
Subject: Submission re Review of Muskrat Falls Proposal
Attachments: Concat.docx

The attached file has been compiled as a concatenation of editorials, opinion pieces, and letters to the editor of the St. John's newspaper, The Telegram, which reflect negatively on the Muskrat Falls project that is now under review by the Board. The period encompassed in this compilation is from June 1, 2011, to February 27, 2012, which period was limited primarily by the failing stamina and eyesight of the compiler.

The number articles included is 119 which have been organized in reverse chronological order. The number of articles which appeared during the same period and which expressed positive opinions about the project was, 15, of which 9 were submitted either by executives of Nalcor or by Government ministers. These latter articles were not included in the file.

The material is submitted with the expectation that it will become part of the record of the current review.

The process has been cleared with The Telegram with respect to possible copyright issues.

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[REDACTED]

- 27 Feb 2012
- The Telegram (St. John's)
- BY ANTHONY SPARROW JR. Anthony Sparrow Jr. writes from St. John's.

Not the time for Muskrat Falls

I want to express my opposition to all of the misguided Muskrat Falls apologists out there who are holding fast to the mad Dunderdale-approved notion that this major hydroelectric development must be undertaken and that it must be undertaken now.

The Lower Churchill roared long before we settled these lands and it will continue to roar long after we are all gone. If we can leave well enough alone, that is.

There is absolutely no reason for the government of Newfoundland and Labrador to hastily put our financial future on the line, at this very moment, to develop a timeless resource.

If prospects improve in the future, and it is judged to be feasible to proceed with such a costly public endeavour, then we can responsibly invest in Muskrat Falls at that point with a clear conscience. Allowing an expensive rush job to occur, however, by accepting anything less than full scrutiny and thorough independent analysis of the project is simply not advisable.

It merely accepts utter recklessness from those in power who are in pursuit of temporary political traction.

To date, the ruling provincial government has amply displayed such an arrogant level of shortsightedness.

Our population is aging and headed towards a steep decline in the years to come.

Our fishery, the *raison d'être* of rural Newfoundland, is in peril and worsening by the day. Our heavy industries, namely the Corner Brook paper mill, are in serious jeopardy. To top it all off, our current economy is dangerously dependent upon poorly managed, short-term oil royalties and our cost of living in the capital city is increasingly overinflated.

These are not conditions conducive to borrowing \$6 billion for a cure-all energy megaproject. Add in the possibility for major cost overruns and it is clear that we're risking the future of our province.

The reality is that we have no guaranteed markets for our hydroelectric energy. We are also vulnerable to the wider implementation of hydraulic fracturing and the vagaries of future technological developments that may or may not make other unforeseen options much cheaper than our taxpayer-subsidized hydro.

The people of our province may end up footing the bill entirely — it actually seems far more realistic that we will face such turbulence than to blindly accept the happy proposition that we shall soon break even and prosper.

Let's not forget that the West, led by the United States, has unprecedentedly fallen from grace in the past decade and continues to be mired in economic and social turmoil. No one can predict the turns that we shall take in the decades to come, but the future is certainly going to be unkind to debtors — no matter how much unsold surplus energy they generate.

If former Premier Brian Peckford, of Sprung Greenhouse infamy, is warning his fellow Progressive Conservatives to slow down and take steps to avoid wasting public funds, then we should all take pause and accept some advice.

Here is a man who has had to cope with the fallout from some costly, ill-conceived ideas of his own. His latest concerns are sound and hindsight provides him with a unique perspective; I think, however, that we should all demand more accountability from the government on this important file and not rely upon the voice of past leaders to fight our battles.

I am personally confident that Newfoundland and Labrador can find sustainable solutions to our grid woes through gradual implementation of alternative energy options, such as small-scale hydroelectricity and wind power.

We need to stop looking for overnight solutions. Even if the costs are higher up front for more modest development projects, if we can avoid the potentially devastating effects that excessively increasing our debt load may have on future generations, then we will have done our part as good citizens. Bigger is not always better and that mantra certainly applies to financing, as evidenced by the 2008 economic crisis.

Independence and self-reliance are noble virtues in and of themselves, but I don't think that's what the Muskrat Falls cause is all about.

Developing Muskrat Falls is about childishly getting “the better” of Quebec and giving a few dozen overpaid and underworked Tory politicians a sense of accomplishment.

If this project goes through and proves to be yet another boondoggle, posterity may not remember the individual names of those responsible, but I promise that their collective recklessness with the public purse will not be forgotten.

- 25 Feb 2012
- The Telegram (St. John's)
- Gabe Gregory writes from Portugal Cove-St. Philip's.

Questions without answers

Now that the Public Utilities Board (PUB) has begun its public hearings, it is enlightening to read the comprehensive presentations from independent sources on the Muskrat Falls proposed development. It is encouraging that already, the PUB is receiving valued input and thoughtful

analysis that will help the board make an informed judgement on behalf of the people of the province.

It is noteworthy that the PUB has already informed the public that it has not been afforded adequate time to conduct as thorough analysis as is deemed necessary. Government has decided not to extend the timeframe.

Consequently, the public should be concerned that not enough independent analysis will be conducted as is necessary to provide advice on this most important investment in our province's history.

The presentations of Manitoba Hydro International (MHI) and Messrs. Ron Penney and David Vardy have clearly and objectively informed the PUB of some of the shortcomings and weaknesses in the analysis of Nalcor. Some of the highlights of their analysis include:

Electricity demand: the impact of the closure of two pulp and paper mills on the demand for electricity has not been accounted for in the demand forecast of Nalcor.

In addition, Nalcor has assumed that the third mill at Corner Brook will remain operational over the life of the analysis (to 2067). This is a very significant assumption, in that 981 GWH, or 13 per cent of the total load, of electricity would be available if the plant suspended operation.

Given the state of change in the pulp and paper industry and the fact that Newfoundland and Labrador taxpayers are currently subsidizing the operation by approximately \$10 million per year, is this a realistic assumption? Have the costs of subsidies been included in the analysis?

It has been further advised "Nalcor has tended in the past to overestimate its overall load growth." In addition, demographic shifts in the population have not been accounted for in the demand forecast.

Power reliability: the conclusion of MHI is "Nalcor cannot quantify the true risks associated with a power system and are unable to provide some of the important inputs for making sound engineering and business decisions."

MHI goes on to state that detailed integration studies are required prior to the next stage of the project cost estimation to fully confirm the system requirements, operating parameters and risks associated with the selected option.

This clearly implies that certain significant elements of the project were unknown and therefore, not included in the analysis provided by Nalcor.

MHI further points out that the transmission lines proposed by Nalcor are below accepted and recommended reliability standards.

Therefore, cost estimates

are inadequate in this regard and are underestimated by hundreds of millions. In addition, MHI found that Nalcor's cost estimates for other major components of the system are at the low end.

Isolated island option costs: it has been advised that the pollution abatement equipment included in the cost of the isolated island option has a questionable basis, as the effects of pollution from the Holyrood plant have been substantially addressed by using highergrade fuel.

In addition, it is noted that the proposed abatement equipment results as follows: "...actually slightly increases those emissions and reduces the plant's energy efficiency, rather than reduce greenhouse gases." Consequently, it is reasonably proposed by Messrs. Penney and Vardy that the present value of that \$582 million be removed from the Cumulative Present Worth analysis.

Churchill Falls power: Nalcor's analysis does not rely upon Churchill Falls power in the years following 2041.

In questioning the Churchill Falls power availability, MHI posed the following question to Nalcor: "What consideration has been given to the excess power capacity that will become available associated with the termination of the Upper Churchill Falls Agreement in 2041?"

Surprisingly, Nalcor's response included the following statement: "There is inherent uncertainty around guaranteeing the availability of supply from Churchill Falls in 2041 because it is difficult to determine the environmental and policy frameworks that will be in place 30+ years out. There are other issues surrounding the Churchill Falls asset with respect to HydroQuébec, as Nalcor is not the sole shareholder of the Churchill Falls operation."

Messrs. Penney and Vardy point out that the Nalcor response is incredible, given that the least uncertain event is that the Churchill Falls contract expires in 2041.

They further note that even the exact day of contract expiry is known and that even the shareholders' agreement between CFLCO and Hydro-québec expires in 2041. Messrs. Penney/vardy also reveal that Nalcor includes Churchill Falls power in its interconnected plan starting in 2057.

This informed, independent group rightfully questions how Nalcor can demise Churchill Falls power at a point (2041), some 16 years earlier as Nalcor concludes it is too uncertain to consider as an option at that time.

Surely this mystery must be explained by Nalcor, otherwise one can only reasonably conclude that Nalcor's analysis is one of convenience — it suits its purpose to arrive at a predetermined conclusion in support of its Muskrat Falls analysis.

Surely these interventions before the PUB are reasonable, yet we should expect nothing less from independent professionals. I say this particularly in regard to Messrs. Penney and Vardy, who should be commended by all Newfoundlanders and Labradorians for their thoughtful and reasoned interventions to the PUB on our behalf. Both have dedicated their lives to public service for the betterment of our people and today are giving of their expertise for no personal

benefit of any kind. It is this kind of informed, open and transparent debate that should be the basis of making decisions of this nature.

While I have only commented on select points raised in a couple of presentations, it is most informative to learn more about the substantial risks associated with this project.

One conclusion that is an absolute certainty at this point — it is not possible to proceed with this project based on the information available to date.

The analysis and cost estimates are simply incomplete to make a well-reasoned decision on a project of this magnitude. It would be advisable for all Newfoundlanders and Labradorians to step back, take a deep breath and review the whole of the PUB process, as timeconstrained as it is.

In the end, it is our collective hope that those tasked with advising government will do so with the same dedication, objectivity and professionalism as demonstrated by Messrs. Penney and Vardy. Thank you for your diligence on behalf of the people of this province.

- 25 Feb 2012
- The Telegram (St. John's)
- Russell Wangersky
- Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Either way, we'll pay

Sometimes, you kick yourself for not noticing what's right there in plain sight. But sometimes, what's in plain sight can hide in the piles and piles of other things clamouring for your attention. And that's certainly the case with the Muskrat Falls project: there are literally thousands of pages of information out there, and that's probably the main reason why the topic gets so little traction with the public.

It's hard to understand, and there's reams of information, including studies, exhibits and vastly different and opposing opinions.

Throughout the whole debate, I've been stuck on one thing: what will the project mean for the average electrical customer and for electrical bills?

It's an issue that's been clouded by the different numbers being thrown around by the opponents and the proponents, and most people have caved in to the idea that, because power use is going to grow, we have to have new generation. And that because of that, we'll either pay a much higher rate to have Muskrat Falls power, or an even higher rate for power from other sources.

(No one, of course, wants to answer the question of what happens if, with an aging population, we can't afford to increase consumption, and, through conservation and other measures, don't end up needing that extra power.)

Still, looking at the question of the burden that would fall on the ordinary customer, I got to thinking about the province's industrial customers, and whether they would see corresponding increases in their power rates, or whether they already have firm contracts for power prices.

I thought I remembered seeing something about the power costs for Vale's Long Harbour plant, so I went back through the volumes of PUB documentation on the project.

I didn't find what I was looking for.

But then I tripped over PUB Nalcor 149 — a response from Nalcor to a request for information from the PUB.

First, though, a moment of common sense.

Memorial University professor James Feehan, in his analysis of Muskrat Falls, has made the argument that the demand for power in Newfoundland and Labrador is artificially supported by the fact that prices are averaged out — because whether a customer buys a kilowatt hour of power produced by cheap hydro power already in place on the island, or more expensive power generated at Holyrood during peak periods, the customer pays the same price.

There is no incentive for the customer to avoid peak periods of power use that drag Holyrood onstream.

Feehan also argues that, if power prices were allowed to increase (especially during periods of peak demand), they would clip demand at those peak times. Faced with increased costs, customers would use less power or — more to the point — use it at times when it was more economical, especially if offpeak pricing was available.

Now, hold that thought. Think: when prices go up, demand goes down.

Demand, Feehan argues, could be brought down to the point where we didn't need expensive new power sources.

Now ask yourself a different common sense question: when either Muskrat Falls comes on stream or we stick with Holyrood, power prices are going to jump and customers are going to look for a way to reduce their consumption. Why? Simple. Money doesn't grow on trees. Now back to Pub-nalcor 149. It's about the power purchase agreement that's going to be set up between Nalcor, the non-regulated energy company that would build Muskrat Falls, and Newfoundland and Labrador Hydro, the regulated utility that will buy power from Muskrat Falls and then sell the power to Newfoundland Power and other customers.

The power purchase agreement (PPA) has to be structured so that Nalcor will get the money it needs to pay for the project — but to do that, the payments have to be fixed, so the PPA is going

to be based not on the power actually used by island customers, but on the power that Nalcor projects that the island will need.

What happens isn't there?

Well, it appears that whether the customers use the power or not, Newfoundland and Labrador Hydro will pay for it. All of it.

Here's what it says: "Once the annual payments based on forecasted energy deliveries have been established for a defined shareholder return, reduced energy deliveries will not change the annual payments. Therefore, for the purpose of Nalcor's (current) analysis, the purchase price for power and energy paid by Hydro would be consistent with a take or pay arrangement." What a great deal for Nalcor. You sell a product, but even if your customer doesn't need it or can't use it, if they don't take it, they pay full price anyway. (Manitoba Hydro International, reviewing the project, had pointed out that the PPA was a take or pay deal. What wasn't clear in the MHI report was that it was 100 per cent take or pay — that the price wouldn't change whether the power was used or not.)

Now, here's another question: what does Newfoundland Hydro do?

Well, as a regulated utility, it will pass the costs on to the consumer

if the demand — leaving the consumer in the strange position of perhaps having to pay more per unit for electrical power even though they've used fewer units.

Either that, or the company can shed water from its other hydroelectric assets, using more expensive power from Muskrat Falls because using cheaper power will, paradoxically, end up costing more — because you'd have to add the price of producing the lower-cost power on top of the penalty for not using the Muskrat Falls power.

Of course, the lower-cost power produced on the island could always be sold for pennies in southern markets where the price of electricity seems to be falling with every contract signed — but that sure seems like a slap in the face for customers who also, it must be remembered, paid to build the lower-cost on-island hydro plants as well.

In other words, if you want to talk about controlling and levelling the demand for electricity for the sake of your own power bill, we'd better have that discussion before the contracts are inked and we end up having to pay for expensive power we don't even use.

Or you can just throw your hands in the air, consider new power prices to be just another government tax, and get your wallet out.

Ignorance may be bliss. It can also be expensive.

- 24 Feb 2012

- The Telegram (St. John's)
- BY DES SULLIVAN. Des Sullivan is a former executive assistant to former premiers Frank Moores and Brian Peckford. He is a businessman in St. John's.

Muskrat Falls review is not the PUB'S role

In a letter to the editor published in The Telegram on Feb. 18, I stated that the PUB did not have the expertise to make a determination on a project like Muskrat Falls. It was not the chief subject of the article, but the comment should be dealt with more fully.

Muskrat Falls is a business risk decision which government alone should take following significant study by its own technical and financial consultants. Nalcor has admitted that its cost estimate is in the +50/-30 per cent range.

A prudent businessperson would call the estimate an educated "guess." How can it be worthy of being placed before the cabinet? The PUB is being asked to measure Muskrat against the so-called isolated island option. The fact is, it shouldn't be considering the feasibility of the project at all.

What is the mandate of the PUB? If you turn to its own website, the answer is, in part: "... regulation of the electric utilities in the province to ensure that the rates charged are just and reasonable and that the service provided is safe and reliable." There is a provision for public hearings and its quasijudicial nature is recognized.

In short, the PUB'S role is to ensure fairness for the treatment of the public by utilities and to provide for public input. If, for example, the government were proposing a nuclear plant, the public might wish to condemn the idea for environmental reasons, even if it were a cheaper option; the public's role is respected and accommodated. But apart from this, the PUB'S historical role is rate setting.

One of its core skills has been to determine what expenditures legitimately constitute capital items on which a rate of return should be given a utility. This is far different than the PUB assessing "business risk" on a multibillion-dollar project.

The PUB is clearly not without a significant and legitimate part to play and my comments are not to diminish that body. But the key point is that the PUB'S staff and expertise reflect its historical role, as it ought to.

Assessing the viability of Muskrat Falls is a weighty and complex undertaking; it is in a different league than the PUB'S traditional function and it is unrealistic to expect the PUB to have the resources necessary to seriously weigh the analysis of the Manitoba Hydro International (MHI) report.

In addition, the role of the PUB cannot be equated, as some suggest, with the work of a judge on a royal commission of inquiry.

Determinations on social justice, administrative or human errors or even environmental impacts, while requiring a high standard of review, usually result in more qualitative decisions than those associated with bricks-and-mortar projects. The PUB'S quasijudicial role speaks not to the specific nature of the issues placed before it, but solely to its independent status.

Just because it can render a decision free of bias does not inherently give it a wisdom beyond its practised skill set.

The public's concern over Muskrat Falls is completely due to government's failure to thoroughly assess other potentially less risky options to generate electricity until 2041 and the fact that it may be getting us all into paying more for electricity than is necessary while creating a millstone of debt for the province in the process.

It is about politicians playing fast and loose with public money.

It is not about cross-examinations on evidence or the veracity of statements by the proponent or its analysts in front of the PUB; it is about figuring out what government can afford and how much risk it can accept to get it.

Business risk, in the final analysis, is for the government to decide based, in part, on determination of demand and on a full cost analysis, but also upon the probability of huge cost overruns, on the fiscal ability of the government (and the ability of the rate payers to absorb such higher costs), upon potential changes to the market (as in the case of shale gas and its potential impact on oil and electricity prices), upon the government's appetite for more debt and a variety of other factors.

This is why a cabinet committee, supported by top-notch energy and financial consultants, should be poring over the various reports, determining the pitfalls, identifying where more research is required and which strategy favours success. The cabinet needs to be told the whole story — because they, not Nalcor, not the PUB, have to make the decision.

The government merely placated opposition groups by referring it to the PUB. They ought to have known the PUB had no business dealing with it.

What should the chairman of the PUB have done, upon receiving the reference question on Muskrat Falls from the minister?

The bold choice would have been to return it, by the same courier, from whence it came.

- 23 Feb 2012
- The Telegram (St. John's)
- Alan Ruffman partner, Geostorage Associates Halifax

Telling part of the story

On Feb. 17, you reported that Paul Barnes of the Canadian Association of Petroleum Producers immediately contacted The Telegram to contradict Cabot Martin's Feb. 16 suggestion that the gas of White Rose on the Grand Banks be used to make electricity for the island of Newfoundland, as opposed to building the Muskrat Falls project at an estimated cost of almost \$7 billion.

Mr. Barnes told the Telegram that the White Rose natural gas is being used to produce the oil and must be re-injected to assist the oil production.

That is true in part, but Mr. Barnes, thou doth protest too much.

The "North Compartment" of the White Rose structure contains significant gas that is not connected to the oil reservoir, is not being used to produce any oil and that could have been produced from the first day that Husky began production of the oil.

Off-the-shelf turbines could begin to produce electricity almost immediately if the government was to decree it and not stick to the unrealistically narrow "question" for "on island" energy which they put to the Public Utilities Board.

To not allow Newfoundland's own natural gas to be considered as an alternate fuel makes the current hearings process exercise ring hollow.

Of course natural gas can serve the island of Newfoundland's need for electrical energy, and Mr. Barnes and Husky Oil know it.

I'm sure that Nalcor knows it, too — but it has been for far too long fixated on the Churchill River massive hydro dams, and so is quite unwilling to look realistically at options.

- 21 Feb 2012
- The Telegram (St. John's)
- William R. Callahan St. John's

Even ex-ministers have questions

In my experience it is unprecedented — three former cabinet ministers of the party in power, two of them exministers of finance, coming out publicly against the government's central policy of the day.

Their concern, at its root, is the massive borrowing to finance Muskrat Falls — possibly doubling the public debt. There are other issues, but that is the main one.

Former premier Danny Williams claims now is the best time to do it, with interest rates low and a federal guarantee.

But this begs the question of whether it should be done at all, plus the fact there is no assurance rates will not rise to match or exceed former levels, and guarantee or not, the borrowing must be repaid.

(How current Finance Minister Tom Marshall manages to support it, while in the same breath proclaiming an end to excessive spending, passes understanding.)

To be strictly correct, Loyola Sullivan did not, in the voice clip I heard on the radio, mention Muskrat Falls, but given the timing of his warning — right in the middle of the PUB hearings — his intention is obvious. On the other hand, Dr. John Collins, in his repeated concerns, has been absolutely clear, as has Jim Morgan.

These men can hardly be accused of partisanship, or mischief, or ignorance of the subject matter or the implications of the proposed deal, whether it goes ahead or not. For either way, there will be consequences.

When I met for more than an hour with Ed Martin, the head of Nalcor, at his invitation, I pressed him on the matter of financing — the final cost, the burden on the public debt, the cost of overruns, etc., but to little effect. That was several months ago, and today we are hardly wiser — in fact, the cost, reported this week, could be 30 per cent below or 50 per cent above the \$6.2 billion quoted.

One thing that is absolutely certain is that the burden will fall — I believe unnecessarily — on the people of Newfoundland and Labrador, both as debtors and as ratepayers.

With over 60 per cent of them opposed to the project, according to one reported poll, the Dunderdale government should take the advice of those former ministers and shut it down, now.

- 18 Feb 2012
- The Telegram (St. John's)
- BY DES SULLIVAN
- Des Sullivan is a former executive assistant to premiers Frank Moores and Brian Peckford. He is a businessman in St. John's.

Muskrat Falls: some advice for the premier

One of the worst characteristics of a politician is the inability to accept criticism — refusing to believe that someone holding a different opinion, and having the ability to articulate it, could be anything but partisan.

Another unfortunate characteristic is the refusal (sometimes, lack of ability) to answer, in a straightforward manner, the specific arguments of the critic, including the partisan. Even when valid issues are raised, the politician often employs that lazy tendency to strike back with the implausible or the absurd.

So it is with the debate over Muskrat Falls.

I don't know David Vardy well, but well enough to feel confident that when he raises alarm over an impending public policy decision which could add some \$5 billion to the public debt, he is not doing so out of partisanship or for any reason other than genuine public interest. Hence, neither he nor other critics should be pilloried by politicians like the former premier or the current minister of Natural Resources.

They should be encouraged to engage in public discourse, not just because we live in a democracy, but because it is respectful to listen to those who wish to play a role in vital public policy initiatives.

Indeed, anyone who believes Muskrat Falls is not a vital public policy matter has missed the enormity of concern over the decision. It may have serious, enduring financial ramifications for the province.

Vardy was correct when he said many people are fearful of speaking publicly against the project. When I served on Brian Peckford's staff in the 1980s, it was a great source of frustration that key players in the province's economy were not prepared to come forward and assist in the struggle to negotiate the Atlantic Accord — which current politicians conveniently forget is the basis of our newfound wealth.

At that time, we recognized it as a fact of our small population that public comments quickly became personalized and that relationships, both family and business, became the subject of scrutiny. The attempt by elected officials to discredit the critics and accuse them of scaremongering should never substitute for informed debate.

I believe the government needs to chill a little. Yes, there are partisans out there who have already fulminated against Muskrat Falls, and will continue to do so. Government may not enjoy it, but it's democracy.

Instead, the cabinet needs to take some time to review Nalcor's analysis, ask tough questions and be entirely satisfied that the decision to proceed is based upon solid estimating, accounting, financing and engineering practices.

The premier and cabinet need to understand that they are at the mercy of Nalcor's analysts and consultants; that they cannot rely on the expertise being available in other areas of government as they can on lesser public policy issues, and they can't rely on the PUB. The expertise simply isn't there.

In addition, the Department of Finance has not tapped the bond markets for six years. As a consequence, it has had no need to maintain a relationship with the province's fiscal agents. How is cabinet to be advised, and by whom?

The Manitoba Hydro report was useful, but the study should have been performed for the government rather than for the PUB. Government requires its own private energy and financial consultants to analyse Nalcor's work, to answer government's own concerns (it must have some questions) and to prepare it to make a decision.

I have no doubt Nalcor officials have good intentions, but in the end it is this government that will bear responsibility, especially if it fails.

Finally, the government must be ready, when the House opens, to engage in rigorous debate; debate that informs, that deals with contrary views, that is not juvenile or obnoxious.

The government has an opportunity (as well as a responsibility) to display its knowledge of the project, and especially of the issues which torment the critics.

Whether the government wants it to be or not, Muskrat is a legacy project. The current premier and government will wear it for generations to come, just as Smallwood has worn the Upper Churchill.

My advice to the premier: take your time. Ask tough questions of Nalcor. Get solid, independent advice. Make your decision only when you are certain you have received it. Be respectful to all who wish to participate in the debate. Instruct your ministers to follow your lead.

MHAS on the other side of the House, like you, have a job to do. Show them why you were the one whom the people elected. They will respect you more, and so will a very concerned public.

- 17 Jan 2012
- The Telegram (St. John's)

Plugged in

In Quebec, they're taking aim at the "vieux réfrigérateurs énergivores." Rough translation? Energy-eating old refrigerators. Hydro-québec announced an extension to a new program just yesterday: if your refrigerator's over six years old, they'll give you \$75 to \$120 (depending on the size of the fridge) to replace it with a new Energy Star-rated appliance. Right now, the program's in place in five different regions of the province. By the end of 2015, the company expects to have covered the entire province.

The reasoning's simple: older fridges, the utility points out, use up to 4.8 times as much power as new models, and Hydro-québec wants consumers to conserve as much power as possible.

Conserving power, it seems, costs far less than building new generation capacity. Interesting concept. To hear utility executives in this province talk about conservation, you'd think the idea was a non-starter.

An environmental panel looking at Muskrat Falls had this to say about conservation as a way to forestall the need for new generation sources: "Nalcor's final position was that conservation and demand management alone could not result in savings that would negate the need for the project because the potential for conservation and demand management to reduce energy demand in Newfoundland and Labrador was marginal and insufficient to offset production from the Holyrood plant. Nalcor's stated reason was that Newfoundland and Labrador consumers have not had much experience with conservation and demand management and therefore participation rates in these programs have been low."

A consultant studying Nalcor's role in energy conservation (a consultant working for the utility itself, by the way) suggested that the \$3.1 million the province and its utility spend on conservation is one-half what it should be, and, in fact, in the not-too-distant future that spending should be ramped up to four times higher than it is now, or equivalent to roughly three per cent of the company's electrical revenues.

It's hard to say something just won't work if you're not really trying.

Meanwhile, the Hydro-québec program for vieux réfrigérateurs énergivores (they're not forecasting the same electric power shortfall that Nalcor is) is running in concert with another program for aged refrigerators. The other plan offers a \$30 voucher for your old fridge or freezer — and has the utility come and haul the thing away so that it can be 95 per cent recycled. Suppose that works? As of yesterday, the utility has picked up and disposed of 349,519 appliances.

It's a simple problem, really — saving power means no need for expensive power plants. So are we doing all we can to keep from using so much energy that we end up, Muskrat Falls or no Muskrat Falls, pushing our power bills through the roof ?

It's one thing to talk the talk, and then just say it won't work.

How about walking the walk?

- 16 Feb 2012
- The Telegram (St. John's)

Why not practise what you preach?

On Feb. 4, The Telegram published a letter I wrote discussing the type of government we have here in Canada — first-past-the-post parliamentary democracy.

I stated that this type of government has no system of checks and balances built in so that the government of the day must seek consensus to pass legislation.

They have absolute power over the electorate for their entire mandate. This is the reason they have the temerity to issue warnings about spending restraints to the business community, public servants, pensioners et al while plowing ahead with questionable spending for the Muskrat Falls project. The gall!

The current Progressive Conservative government of Kathy Dunderdale is hell-bent on building an electric power station at Muskrat Falls. The projected cost for this “least cost” production of electrical power is \$6.1 billion.

Sage advice.

On Feb. 9, The Telegram published a letter from Finance Minister Tom Marshall. The letter was headlined “Time to rein things in: minister.” In it, Marshall stated that the present government paid down the provincial debt by \$3.9 billion between 2004-2005 and 2010-2011. He also stated that last year the debt-servicing costs were \$837 million.

He concluded, “Spending all available revenues on ourselves now while leaving the debt for our children or grandchildren to worry about in the future would be shortsighted and irresponsible, to say the least.”

Think about it — by going ahead with Muskrat Falls, this government will increase our provincial debt to \$14.1 billion. How much will that cost us taxpayers in debt-servicing costs? Will Muskrat Falls pay its own mortgage?

It's time to rein things in — Premier Dunderdale, Minister Jerome Kennedy et al. Heed your advice for us mere mortals yourselves!

John Reade, St. John's

- 7 Feb 2012
- The Telegram (St. John's)
- Russell Wangersky
- Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Covering all the bases

When you're talking formal logic, there's a term called "tautology." What it means is a statement that is always inherently true.

Some of the classic forms? "Either A or not A," which you can see in something along the lines of "This candidate will win or will not win."

Since the term "candidate" means someone is necessarily running for a spot, it stands to reason that they will either win or not win.

Keep that in mind when you read Manitoba Hydro International's (MHI) conclusion about whether or not Muskrat Falls was the least-cost option of the two power generation possibilities they were told to consider on behalf of the Public Utilities Board.

"As a result of the investigations based on the material, data and assumptions provided by Nalcor, MHI finds that the infeed option is the least-cost option of the two alternatives reviewed. There are, however, risks associated with the assumptions used for certain key inputs such as load, fuel prices and cost estimates which may impact the cumulative present worth analysis for the two options.

"The risks associated with these inputs are further magnified considering the length of the period (2010-2067) used in the preparation of the cumulative present worth analysis."

The provincial government has classed the report as pretty much wholehearted support for the project. In other words, they read the first sentence of the conclusion and stopped there. The project is good — and that's fine, because that's what the provincial government believed anyway.

But it's worth thinking about the report's conclusions in a different way.

No matter what happens if the project moves ahead, the MHI report will be correct.

If the project comes in on budget and performs with flying colours, MHI will be right.

If oil prices don't rise the way Nalcor predicts and we end up eating giant electricity price increases all on our own, the conclusion will be right.

If the costs of building the dam, power plant and transmission system go wildly out of whack and the project has to recover massive cost overruns through a much higher rate for its power, MHI will be right.

And if the demand for power doesn't occur in the way Nalcor is modelling that it will — to the point that we actually have to pay Nalcor for electrical power we're not even using — MHI will still be right.

It's hard to conceive of a situation where MHI hasn't specifically warned that clear risks exist.

In fact, in the guts of the report, MHI came up with a number of circumstances where the comparison tilted different ways, sometimes by billions of dollars.

Much to ponder

That's what happens when you're looking at a vast array of variables and those variables are magnified by trying to decide what the right course of action is some 57 years down the road.

It is not an easy decision to have to make.

To make the decision that much more complex, go back to MHI'S conclusion about the project and their questions about the risks associated with the project's assumptions about electrical power load, fuel prices and cost estimates.

Ask yourself this simple question: what else is there to consider in a theoretical power project other than load, fuel prices and cost estimates?

It is a fascinating report, and clearly the closest thing we're going to see to an independent review of the project — the provincial government has been pretty clear that no one else is going to go any further to question Nalcor's baseline assumptions, and even the PUB, tasked to review the project, is working on an extremely tight deadline while hemmed in by a reference question that makes it possible to consider only two possible choices.

To reduce it to a more obvious tautology: Muskrat Falls is either the best choice, or it isn't.

Without being too cheeky about it, the Upper Churchill deal could have received exactly the same vote of confidence.

The consulting business: giving fuel for every single side of the debate. And always right.

Cheers & Jeers

Cheers: to getting the best possible information on a \$6.2-billion hydro project before we go ahead. The Public Utilities Board will start its hearings on the Muskrat Falls project next week, and “if you want to make a presentation to the board you must register in writing no later than Wednesday, Feb. 15. ... Please note that all presentations must be within the scope of the review...” That’s according to the PUB’S notice of review. And what is that scope of that review, as set by the provincial government? Well, earlier in the PUB’S notice about the hearing, the board points out “the review will not address alternatives such as wind power, natural gas, the role of energy conservation and demand side management, or environmental concerns, or the impact on electricity rates to end users.” Gotta love those full, unhindered reviews to get to the bottom of the best way to do things before we ante up the cash. Frame the right reference question and you can always get the answer you wanted in the first place. To put that another way? Full speed ahead.

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- 6 Feb 2012
 - The Telegram (St. John’s)
 - BY DENISE HENNEBURY Denise Hennebury is an environmental educator in Mount Pearl.

Muskrat Falls is not all ‘green’ power

I was listening to CBC Radio’s “Crosstalk” on Thursday. Ramona Dearing doesn’t exactly keep her opinion to herself, and the topic of the day: “Should we go ahead with the Muskrat Falls project?”

On air with her was Nalcor CEO Ed Martin. I heard callers coming at the issue from many angles. However, I am increasingly worried that people just don’t get the “green washing” that is employed when we call mega-dams “green energy.” Ramona spent her time trying to tease out objections to the project. There were some great questions, but the issue is so broad and the callers were just trying to understand it all.

One caller was most concerned about particulates coming out of Holyrood generator, and wants it cleaned up (or gone). He was unconcerned about greenhouse gases since they don’t kill people, hence Muskrat Falls seems great. Sadly, greenhouse gases do kill. Whether from Holyrood or Muskrat Falls, greenhouse gasses are the cause of changes in our environmental that lead to cancers and severe weather, and both certainly can kill. It does hurt us; it just might not be as obvious.

Mr. Martin rallied behind the partnership Nalcor has with the Innu Nation, and said he “understands” one caller’s “respect for the animals and the land.” I was struck by how obviously uneasy the man was about the project. Maybe because he knows that no matter what our best efforts are towards conservation and environmental protection, this project is going to create sustained environmental damage for up to 20 years and bring the region to a point of no return.

The flooding is going to destroy habitat, this is obvious. However, in the years after, the rotting vegetation and the soil will create perfect conditions for mercury bacteria to flourish. Then we will add to that the greenhouse gases that will be emitted in high quantities while the flooded vegetation rots. This will be arguably comparable to the emissions from Holyrood from now and when Muskrat Falls would come online. And though I am all for anything that gets us away from oil, in the same time and with the same money it will take to get Muskrat Falls online, we could introduce other power sources.

We have an opportunity to stop a huge environmental mistake. I look at this project now and see missed opportunities. Nalcor has the opportunity to get on board with amazing advances in tidal energy (which is being extensively used in Scotland right now), and “run-of-river” hydro power (as is developing in B.C.) which respects fish runs and doesn’t flood forests.

The truth of it all is that most developed nations do not build megadams now (many are taking old ones down); they are just too environmentally and socially destructive and economically damaging.

Yet in a worldwide culture of increasing respect for nature, we are insisting that this is our only solution.

I fear that one of the biggest reasons that the project hasn’t been put aside to this point is because of the dollars already invested in it. However, what is the value of protecting our environment, our people and our resources?

If we are learning that this is just a bad idea, should we not cut our losses in the name of protecting our home?

All this was going on in my head as I listened to the callers during the show. But alas, I cannot always get my thoughts together well enough to speak off the cuff, and by the time I was ready to call, they were ready to finish. I guess The Telegram is more my style.

So I will propose two questions to Mr. Martin here, and hopefully encourage some more discussion:

- This project will irreversibly alter the local environment, change wildlife patterns, destroy fish habitat and permit the release of mercury into the river, affecting the animals that live, eat or drink there. Has Nalcor received approval from DFO for the project? And if so, when can we see how you will replace (I shudder to type that, but alas, that is the regulation) all of this contaminated fish habitat?

- I fear that you are holding onto Muskrat Falls with all your might. When states, provinces and countries are in a time of innovative approaches, this project seems dated and unnecessarily destructive. Has there been anything more than a cursory look at alternative 21st century energy-generating ideas, such as tidal energy?

I know there is a huge debate around the economics of the project. However, there is something well beyond that. We need to stop and think about what we are doing. We need to get beyond ourselves and consider what moving towards a sustainable and responsible relationship with nature looks like. This is not it. We have a huge opportunity here to protect a river that was not given that same respect when Churchill Falls was installed. Nalcor has the opportunity to show Newfoundlanders and Labradorians that there is more than one solution to any challenge.

A Cree proverb reminds us: “Only when the last tree has died and the last river been poisoned and the last fish been caught will we realize we cannot eat money.”

But we can do this. There has to be a stopping point when we say enough is enough. Today we know better, and the destruction has to stop.

- 2 Feb 2012
- The Telegram (St. John’s)

Black, white, grey

Tuesday, a dump of snow; Wednesday, a dump of information. Wednesday morning, the Public Utilities Board put the Manitoba Hydro International (MHI) report on Muskrat Falls online, offering a host of information about the project.

The crux of the report is that Muskrat Falls is the leastcost choice for future power needs. Here’s what it says: “As a result of the investigations based on the material, data and assumptions provided by Nalcor, MHI finds that the infeed option (Muskrat Falls) is the least-cost option of the two alternatives reviewed.

“There are, however, risks associated with the assumptions used for certain key inputs such as load, fuel prices and cost estimates which may impact the ... analysis for the two options. The risks associated with these inputs are further magnified considering the length of the period (2010-2067) used in the preparation of the ... analysis.”

That’s a pretty reasoned, straightforward conclusion. Within the parameters it was given, and using the assumptions it was given, MHI says Muskrat Falls is the cheapest choice, by about \$2.158 billion.

But it’s an interesting report, because it doesn’t end there. Caveats? There are a few. First, on cost. MHI looked at the costs and said, “A review of the Nalcor estimate was prepared by

examining some of the inputs to the analysis and by comparison with similar projects within the experience of the reviewer. The review was not performed as an independent cost estimate, nor was it performed as a peer review of the Nalcor estimating procedures.”

Given the early stage of the cost estimate, MHI points out that the project (which includes the dam, generating station and bringing power to the Avalon — but not the maritime link to Nova Scotia) could cost as much as 50 per cent more than planned.

“Given the level of accuracy associated with (current) estimates, the final capital costs have the potential to increase by as much as 50 per cent over the current estimates. Should such a result occur, the differential ... between the two options would be reduced from \$2.158 billion to \$194 million.

There’s also new information on how Nalcor plans to show revenues to finance the project, even if the company’s expected growth in power demand doesn’t occur: “The Muskrat Falls generating facility will be developed and owned by Nalcor. From the perspective of Newfoundland and Labrador Hydro (NLH), for purposes of this exercise, Nalcor is considered to be an independent power producer who will contract with NLH to sell energy to the utility under a power purchase agreement (PPA).

“The tariff formula defined by the PPA will result in a per-unit charge for energy from Nalcor, which will be treated by NLH no differently than power purchased from any other non-utility generator. ...

“The premise supporting the use of a PPA approach relies on the base assumption that NLH will sign a take-or pay contract with Nalcor for the specified NLH energy purchases from Muskrat Falls that (Nalcor’s model) has projected.”

A take-or-pay contract could have interesting implications. Common in the energy industry, such contracts say that the purchaser either takes the energy on the terms offered, or pays a penalty for not taking the power. That provides financial stability to the generator, but also places fiscal risks firmly in the hands of the purchaser: if you can’t use the power, you pay for it anyway and have to pass the costs onto your consumers.

And there are some interesting questions raised in the report about the amount of demand, especially with industrial customers.

MHI says Nalcor is being overly optimistic in its forecast that Corner Brook Pulp and Paper will stay as an industrial customer at current production levels all the way through to 2067.

“MHI requested Nalcor to perform a sensitivity analysis with a reduction in system consumption of 880 gigawatt/hours per year, equivalent to the total electric energy requirement of the mill, including purchases from Nalcor and their own generation. In Exhibit 43, revision 1, Nalcor indicated the differential between the two options would be reduced from \$2.158 billion in the base case to \$408 million in favour of the infeed option.” To take that further? “A major input to the cumulative present worth analysis is the load forecast, and as a result any large changes in the load would have a significant impact. For example, should the existing pulp and paper mill cease

operations, and its generation capacity be available for use on the system, and should the capital costs of both of the Muskrat Falls generating station and Labrador-island link ... projects increase by 10 per cent, the cumulative present worth for the two options would be approximately equal.”

The bottom line? Anyone who wants to say anything — either for or against — about this project should read the whole report carefully, and with an open mind.

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- 2 Feb 2012
- The Telegram (St. John's)
- Gerald O'brien, Q.C. Cabot Martin LL.B Edward Hearn, Q.C. Richard Cashin, P.C., O.C. Ches Crosbie, Q.C. Richard Rogers, LL.B Dennis Browne, Q.C. Philip Buckingham, LL.B Bernard Coffey, Q.C. Stephen Fitzgerald, LL.B

A partial PUB review is unreliable

Lawyers say Muskrat Falls needs full analysis

On Jan. 17, the Manitoba Public Utilities Board, in effect, rejected Manitoba Hydro's plan to build its proposed Keeyask (695 MW) and Conawapa (1,485 MW) hydroelectric projects.

There are many lessons to be learned from the Manitoba experience, as these two projects are very much like the proposed Muskrat Falls project.

Like Muskrat Falls, the Manitoba projects were originally conceived of as being highly dependent on U.S. export markets but are now proposed to be financed by local consumers.

The Manitoba PUB noted that since those projects were proposed by Manitoba Hydro in 2008, very significant changes have taken place in U.S. electricity markets; rapid U.S. shale gas developments have significantly lowered export market rates for electricity.

The Manitoba PUB also noted that between November 2009 and March 2011, the cost estimate for these two proposed projects increased by \$2.5 billion, from \$10.9 billion to \$13.4 billion.

To arrive at its conclusions, the Manitoba Public Utilities Board, a body very much like our own PUB, was given all the time needed. Its examination extended over 12 months, including six months of public hearings. It also took sworn evidence from Manitoba Hydro witnesses and experts and allowed counsel for the Manitoba PUB and lawyers for interveners to cross-examine those witnesses.

Consequently, our Public Utilities Board must be likewise granted all the time it requires to do a thorough review of the Muskrat Falls project.

This project is the most significant electrical generation project ever proposed by the province, and the cost to the public will be considerable.

Therefore, the project must be required to undergo full scrutiny before the Public Utilities Board.

Those who oppose the project must be given the opportunity to be heard.

Proponents and experts must be required to undergo examination and cross-examination.

If due process is followed, the Public Utilities Board will be able to make an informed decision.

A refusal to give the Public Utilities Board the time it requires is unacceptable because the validity of a proceeding that does not follow due process of law will be unreliable.

- 2 Feb 2012
- The Telegram (St. John's)
- George W. Bishop Coley's Point

What about the little people?

Now that we've all heard from the high ranking opponents/proponents on Muskrat Falls, it's time for the little people to weigh in.

There are thousands of single pensioners, EI recipients and minimumwage earners who are struggling to keep their heads above water right now.

How are they going to survive when expensive Muskrat Falls power kicks in?

During the six cold months of winter, they will be faced with a possible \$300 a month or more increase in their electrical bill, along with an everyday increase in goods and services that they need and use, including food, clothing, phone, cable, kids' education, property tax, car/home insurance — and the list goes on.

The providers of these goods and services will be faced with the same electrical rate increase as everybody else and will naturally pass along these increases to the consumer.

Expect to see soup kitchen lineups, empty food bank shelves and all the shopping malls filled on a daily basis — not with customers, but with people trying to stay warm.

When Premier Kathy Dunderdale, Wade Locke and Nalcor can tell these people how to survive, they can sign me up as a supporter of Muskrat Falls.

Premier Dunderdale, please don't put the financial burden of Muskrat Falls on the backs of low income Newfoundland and Labrador people by having them subsidize mainland power customers.

Surely you won't have the gall to charge us approximately 16 cents/kwh and sell it to mainlanders for nine cents/kwh?

And don't ask us to move to the mainland to avail of cheaper power because we can't afford to.

Find a better financial arrangement for Muskrat Falls or scrap it.



- 28 Jan 2012
- The Telegram (St. John's)
- Alec Campbell, Mount Pearl

Short on research

Wade Locke's presentation on Muskrat Falls lacked adequate or independent research.

Why was there no cost overrun chart for the price of electricity? Nalcor has given an estimated 15 per cent cost overrun to Muskrat Falls which seems steeped in optimistic bias.

Large government capital projects need to have a much more realistic cost overrun of 50-plus per cent.

For each one per cent cost overrun, how much does that add to the cost for ratepayers?

Projecting oil and natural gas prices to escalate over multi-decade intervals while low-balling possible cost overruns shows a pro-muskrat Falls bias.

Was there no collaboration with private companies for natural gas, wind and/or island hydro power?

If Nalcor is so sure of Muskrat Falls being the cheapest option, why hasn't there been a call for private tenders to replace Holyrood thermal?

Public-only funded power projects offer far too great a risk for the province to take on alone; the lack of interest in co-operation with private business is both appalling and telling on Nalcor's part.

The cost of building the Labrador-island interconnected transmission line to join both grids should be separate from the total Muskrat Falls cost. Dr. John Collins points out that Labrador can provide 530-plus MW of hydro power, which would still necessitate interconnected transmission lines.

Conservation for residential and community based power grids hasn't been mentioned thus far.

Residential wind generation (smaller wind turbines) along with riverside hydro will lower demand and thereby lower fuel costs.

Labrador communities (not even considered for Muskrat Falls power) could scrap dirty diesel generation for natural gas with wind supplemental generation.

Cities should require all new homes to be as energy efficient as possible under the building codes.

Muskrat Falls is based upon 50 years of generation, yet Upper Churchill power will be available in 30 years. It is downright deceptive to include the fuel costs past the expiration of the Churchill Falls contract.

Far too many questions remain on the viability or even the need for Muskrat Falls. Government can't go forward haphazardly with blinders on with regard to our future energy needs.

- 28 Jan 2012
- The Telegram (St. John's)
- Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Why it pays to read the fine print

And read it fast, because time is running out

It is vitally important that the economics of the proposed generation and transmission investments be subject to a thorough review to ensure that the developments, if they proceed, will benefit and not overly burden domestic ratepayers. - Manitoba Public Utilities Board

I wanted to write about the seagulls, honest I did. Tuesday night, against the deep blue of the last moments of evening sky, five or six flights of seagulls headed for the harbour. Lit from beneath by the streetlights, and ghostly silent, they were like some sort of avian apparition.

But time is a fleeting thing, and we are charging headlong towards the next decision-point on the Muskrat Falls project, a timeline so critical that the provincial government won't give the Public Utilities Board even 90 extra days to do a full report.

So instead of seagulls, let's talk about the concept of cost of service billing and then, about a different utility being skewered by its own hydro plans.

By definition

Here's one definition of cost of service billing: "In cost of service regulation, the regulator determines the revenue requirement — i.e., the 'cost of service' — that reflects the total amount that must be collected in rates for the utility to recover its costs and earn a reasonable return."

Another? "A traditional electric utility regulation under which a utility is allowed to set rates based on the cost of providing service to customers and the right to earn a limited profit."

It works by referring to a relatively simple formula: rate base times allowed rate of return equals required return, plus operating expenses equals revenue requirement.

Right now, the provincial government and Nalcor argue that Muskrat Falls power will cost 7.5 cents per kilowatt hour (kw/h) to produce, plus seven cents or so to transport to the Avalon, and then — with markups for Newfoundland Power’s rate of return for distributing the power — will reach something like 16.4 cents per kw/h.

That, the government says, will actually mean cheaper electricity, compared to burning oil to make power and refurbishing the Holyrood plant.

Fun with numbers

But not without a little hocus-pocus — because that’s not really what the service will cost.

Recently, Nalcor was asked by the PUB to calculate the cost of Muskrat Falls power using the traditional cost of service method.

The answer? At Muskrat Falls, it will cost 21.4 cents per kwh, then add seven cents or so cents for transmission, for 28.4 cents per kwh. Then there’s Newfoundland Power’s markup, but we’ll leave that aside for now.

The 7.5-cent figure came about because Nalcor chose a different way to calculate the cost of the power.

From a PUB application, exhibit 46, here’s Nalcor’s rationale:

“In the context of the Muskrat Falls development, the island ratepayer energy requirements at the time of plant commissioning is projected to use only about 40 per cent, or 2 (terawatt hours) TWH, of the plant’s average annual production of 4.9 TWH.

“While the island’s energy requirements increase over time in line with economic growth, the early-year (cost of service) COS rate for Muskrat Falls power would be a significant burden for ratepayers in those years, as the required COS revenue for Muskrat Falls would be at its maximum and the power required by ratepayers would be at a minimum.

“To address this issue, an alternative approach to Muskrat Falls power pricing was developed which affords a number of advantages for ratepayers. ... This escalating supply price is lower than would be indicated initially by the COS framework. It escalates evenly over time, and is applied only to power actually used by ratepayers — the early-year burden placed on ratepayers at that time is minimized.

“This is accomplished essentially by requiring that the equity investor ‘wait’ for its return over the project life. It should be noted that the equity investor is not forgoing any return for waiting; it still earns its rate of return on the entire investment over the course of the term ...”

That’s reasonable enough — it backloads a block of the large initial costs onto users years later. It’s essentially “buy now, pay later” — but for it to work, other things have to happen.

Increases must continue

Power rates have to continue to increase by two per cent per year, and the amount of power being used by island residents also has to increase to match the utility's projections. If either of those forecasts don't come true, big financial chickens will come home to roost on our kids.

Why this is important will come later — just remember that 28.4 cents per kilowatt hour. Because that lets you look at apples and apples.

Meanwhile, in Manitoba...

For interesting reading about how projects can go sideways, you might look at the Manitoba PUB'S examination — and rejection — of Manitoba Hydro's latest rate application.

(Interestingly, a division of Manitoba Hydro is acting as an independent consultant for this province's PUB in its review of the Muskrat Falls project.)

You can find the Manitoba PUB decision online at <http://www.pub.gov.mb.ca/pdf/12hydro/5-12.pdf>.

Now, the whole thing is 232 pages, filed 11 days ago, but boy does it flag some critical points about how electricity sales are changing.

“Since Manitoba Hydro developed its plans, there have been major changes in the economic landscape,” the document says.

“The projected capital costs associated with Manitoba Hydro's development plans have increased substantially; opportunity export prices have fallen; there has been market recognition and development of massive shale natural gas deposits — affecting supply plans in the United States and wholesale market electricity prices; the likelihood of premium prices for clean hydro-generated electricity has receded with the attention now being paid to the economy; industry demand for electricity and the expected growth in industrial demand has fallen; and the Canadian dollar is now near par with the (U.S. dollar),” the board's decision says, essentially rejecting the utility's current development plans.

“The board recommends that government subject Manitoba Hydro's major capital development plans to a review by an independent panel with the required level of expertise.”

Similar issues here

Sound familiar? It should. That's what many people want to see here.

But there are other surprises: “Circumstances have changed since Manitoba Hydro, in its 2008/09 (plan), projected that new hydraulic generation would be required in 2018/19. Domestic consumption has declined by more than 1,500 Gwh/year at a time the export market has 'shrunk.'”

Scary words for people looking at expanding in the electricity market.

Another concern raised by those watching Muskrat Falls? The potential for cost overruns.

When costs leap

Nalcor has budgeted a 15 per cent cushion; Manitoba Hydro has seen a jump in costs at some generating projects — even before the projects begin — of 50 per cent.

“On an overall basis, the capital costs for Manitoba Hydro’s major generation and transmission projects have increased in excess of \$2.6 billion,” the board pointed out.

“Against the backdrop of different types of business plans, together with the apparently skyrocketing capital costs ... together with a depressed export market and Manitoba consumers being held financially responsible for any losses, the board is of the view that Manitoba Hydro’s capital projects require careful and detailed scrutiny.”

There’s plenty more: forecast overruns in the billions and longterm debt forecasts that have gone from \$7.8 billion in 2010 to a forecasted \$23 billion in 2029.

By way of comparison

And what does it all mean if you look at the Manitoba projects through the cost-of-service telescope?

“Manitoba Hydro’s new generation ... will carry fully-costed initial in-service costs in excess of 10 cents/kwh. That indicated cost is almost double the current net cost of not only wind resources but also the cost of shale gas-driven CCGT (combined cycle gas turbine) generation.”

(And, for comparison purposes, around one-third of the fully costed in-service price of Muskrat Falls energy, at around 28.4 cents per kw/h. I told you to remember that number. Scared yet?)

What does the export picture look like?

Well, Manitoba’s been able to get between three cents to five cents per kwh in recent sales — meaning there’s a very real case to be made that export customers are paying less than it costs to generate the electricity — and things are getting worse.

Again, the board decision: “In the board’s view, Manitoba Hydro may be facing close to its worstcase export market scenario, particularly relative to the situation anticipated in IFF09-1, because of such factors as:

- projected major generation and transmission project costs 50 per cent higher than initially forecast;
- natural gas generation costs having decreased by 30 per cent to 40 per cent or more;

- the U.S./Canada exchange rate decreasing revenues by 20 per cent (offset in part by the depreciated value of Manitoba Hydro's debt held in U.S. dollars);
- a complete lack of carbon pricing as opposed to the \$20-\$30/tonne of CO₂ apparently once forecast by Manitoba Hydro; and
- continued U.S. wind subsidies along with decreasing wind generation costs due to technical improvements and efficiencies.

“Furthermore, the board does not see how all of these negative market scenarios will be reversed for many years to come. The obvious risk faced by Manitoba Hydro is that the current status quo prevails for the foreseeable future.”

And, on independent reviews

The board even took a shot at an “independent” company asked to do a review of Manitoba Hydro's plans, saying the review wasn't valid because it didn't challenge or test any of the utility's baseline assumptions.

“The end product of the information from all these planning documents is Manitoba Hydro's ‘road map’ as to future major capital projects (generating stations and transmission lines) that will be required to meet Manitoba Hydro's future domestic loads and firm export commitments.

“There is subjective decision making involved — together with numerous assumptions — that underpins any current version of Manitoba Hydro's Preferred Development Plan,” the board said. “The significance/importance of examining and testing those assumptions and decisions cannot be overemphasized. With capital costs and financing costs in the tens of billions of dollars, the stakes are high for the domestic ratepayer who is at risk to bear the costs.” That, also, should sound familiar. Where does the buck stop? Easy. Here's what Manitoba's PUB is concerned about:

“(The) burden will fall to the domestic ratepayer. It is vitally important that the economics of the proposed generation and transmission investments be subject to a thorough review to ensure that the developments, if they proceed, will benefit and not overly burden domestic ratepayers.”

Muskat Falls is based on a series of informed assumptions — but those assumptions could be wrong.

They have to be tested independently, right down to their underpinnings — and frankly, that has not been done yet. Perhaps the PUB'S review here will do it. We'll see.

- 25 Jan 2012
- The Telegram (St. John's)

Only a limited review

Regarding the “Smoke and mirrors” editorial of Jan. 21: it should be emphasized that the Public Utilities Board review is being constrained not only by time, but also by its terms of reference which forbid it from comparing the Muskrat Falls project with anything but the so-called “isolated island” alternative.

The approach of first establishing a maritime cable link to the continental grid and then considering what options (besides Muskrat Falls) are available has been forbidden.

One is compelled to wonder why. Maynard J. Clouter St. John's

- 24 Jan 2012
- The Telegram (St. John's)
- BY DR. J.F. COLLINS Dr. J.F. Collins is a former Progressive Conservative finance minister. He writes from St. John's.

Muskrat questions continue

Prof. Wade Locke's lecture for the Harris Centre at MUN last week was interesting.

As expected, he reprised Nalcor's position on the proposed Muskrat Falls project more or less in exact detail. Clearly he agrees with and supports its conclusions, honestly and professionally.

Regrettably, little if anything new was added to past Nalcor presentations, tiresomely reiterated since first offered way back in early 2011.

In like manner, no intellectually satisfying answers were given to questions raised elsewhere by interested citizens nor to most queries at the show itself. Professor Locke honestly acknowledged not only his own fallibility but also his expertise being narrowly focused on economic questions, many vitally relevant matters lying beyond.

Two welcome new snippets of information, off-project, however, did come to light.

First, the Harris Centre plans a second exposition, this time by Prof. James Feehan, on the same subject but with different extended content (hopefully) and Locke himself has joined an increasing chorus of public opinion (now shared by former natural resources minister Shawn

Skinner) calling on government to abandon its ridiculous stance of ham-stringing the Public Utility Board's statutory duty to express a considered opinion on the whole matter.

The continued problem with Nalcor's (and government's) decision to date respecting the project's rationale and validity thus remains painfully obvious.

The basis question is not whether Nalcor is wrong in postulating Muskrat's power to be more cheaply accessible than alternative combined sources on-island.

The real question is whether or not they are right in forcing that opinion on the public, absent cogent, unbiased information on related issues troubling knowledgeable observers, expressed time and again.

Just some of those issues may be briefly summarized as follows:

- Does Nalcor accept that, worldwide, energy-generation and inextricable-linked politic-economic forces are presently in such serious turmoil that now is decidedly not the time for hugely expensive local commitments with probable irreparable consequence? (Especially so for the "bolt-from-theblue" Muskrat Falls, left rudderless by its mentor.)
- More specifically, has enough weight been given locally manageable wind-energy possibilities? (Nalcor's own consultant, Navigant, has said no).
- Has potentially available energy (minimum 530+ MW) from now-extant Labrador sources been investigated as thoroughly as has Muskrat Falls? (This includes Upper Churchill "recall power" of 170 MW, now exported south, Twin Falls 225 MW, Menihek 18 MW and unused CFLCO power, 120+ MW.)
- Has upgrading on island hydro electric capacity been considered in detail? (Current capacity is 57 per cent utilized — Bay d'espoir itself only 51 per cent.)
- Has possible acquisition of liquified natural gas for Holyrood oil replacement been given the in-depth attention it obviously deserves? (Jurisdictions elsewhere are actively doing so.)
- What are the details (if any) of negotiations with Hydro-québec concerning added purchases from Upper Churchill? (Hydro-québec now sells to Ontario, the Maritimes and into the U.S.)
- What possible use can a 35-yearold, low-capacity sub-sea link to Nova Scotia be for our province upon ownership in 2053, 12 years after Upper Churchill power contract's final termination? (Twin Falls and lines were shut down upon advent of the larger Upper Churchill in 1976; will this be the fate of Muskrat Falls — and Gull Island — when superceded by access to Upper Churchill power?)

These (and other) concerns are not quixotic but aim squarely at the core of the matter. Nalcor (and government) ignore them at their peril.

- 23 Jan 2012
- The Telegram (St. John's)
- Tom Careen Placentia

Fools rush in

Newfoundland and Labrador history is full of instances of the government of the day being in a rush to do something. If this place of ours was a ship, we would have been lost at sea with all hands — officers, crew and passengers — long ago.

Premier Kathy Dunderdale and her government are in a rush to develop Muskrat Falls.

The Public Utilities Board's Andy Wells and consumer advocate Tom Johnson are, to reduce their jobs to the basics, watchmen. The future is foreign territory (anyone here ever been there?), we are on an unknown shore and those two men should not be blinkered or have their appointed rounds and duties curtailed.

The PUB must be given the time it asked for, until the end of June this year, to complete a proper review and report.

By the way, the longest time the Newfoundland House of Assembly has been closed was from 1934 to 1949.

None of us, especially premiers and transient cabinet ministers, should ever forget that shame.

21 Jan 2012

The Telegram (St. John's)

Russell Wangersky

He who pays the piper ...

The devil is clearly in the details. And those details, well, they can sure take a long time to surface.

Right in the midst of the provincial election, the provincial government and its energy company, Nalcor, got a shot in the arm for the Muskrat Falls project following the release of a \$250,000 report from Navigant Consulting supporting the project.

"We were happy about getting it at this time because we knew we probably weren't going to get the PUB report until later in the year or until early spring. And I really wanted the people to have something that was independent of all of us for them to consider before we went to the election, so I'm really glad we have it," Premier Kathy Dunderdale said at the time.

At the time, there was criticism of the project because Navigant used Nalcor's own material to undertake the review, and didn't do extensive outside research.

The report even carried its own disclaimer: "This independent report was prepared by Navigant Consulting Ltd. (Navigant) for Nalcor Energy based upon information provided by

Nalcor Energy and from other sources. Use of this report by any third party for whatever purpose should not, and does not, absolve such third party from using due diligence in verifying the report's contents.”

The fact is, though, for at least some of that material, Navigant may well have been very familiar with the information involved. Why? Lower Churchill power projects have been a healthy source of contracts for consultants and lawyers for decades — close to \$400 million has been spent on a variety of attempts to bring such projects to fruition.

What’s interesting is that, as well as the September review of Nalcor’s work, Navigant has undertaken some 30 contracts for this province’s provincial energy firm. They are a trusted adviser, regularly called upon for work.

This comes from a PUB request for information, document No. 100, breaking down all the work already done for Nalcor or Newfoundland Hydro by Navigant or by its corporate predecessor, Reed Consulting. Nalcor’s notes describe the 31 separate projects this way: “As can be observed in the table below, Navigant has completed a number of assignments for Nalcor on a variety of electricity market related matters.”

September 2011 — Independent supply decision review (DG2) prepared for Nalcor Energy

May 2011 — Lower Churchill Ontario Market Update and Strategy Advice Report

September 2010 — Support for Joint Review Panel Hearings and Preparations

May to June 2010 — Advice and assessment of market potential in Eastern Canada & North Eastern U.S.

December 2008 to present — Provide ongoing advice related to the ON electricity market in support of negotiations with OPA

March 2008 to September 2008 — Estimate of Ontario’s avoided capital and operating expenses during the 2015-2035 time frame under various LCP import scenarios

November 2007 to October 2008 — Advice on pricing elements and principles for long-term PPAS with OPA, NSPI and NB Power

February 2008 — Eastern Market Assessment Report

May to August 2007 — Eastern Canadian market report and update

October 2006 — Ontario Capacity Prices

August 2006 — 2006 Ontario Wholesale Power Market Assessment (Multi-client Study)

July 2006 — U.S. Northeast Market Plan for Lower Churchill Project

June 2006 — Review of ON Supply Mix Directive

April 2006 — Review of New England Ph1/11 HVDC facilities and identification of parties holding transmission rights

March 2006 — Ontario Market Developments Report – March 2006 update

2006 — Review of IESO Reliability report

March 2006 — Review of OPA Supply Mix Report

February 2006 — Eastern Canadian Market Assessment Report

November 2005 — Quebec Transmission issues

June 2004 — Overview of Ontario, Quebec and Maritime Electricity markets

December 2002 — Gull Island Contract Analysis

October 2002 — Ontario summer 2002 wholesale market assessment and market price forecast

January 2002 — Summary of Northeast Transmission Projects

December 2001 — Presentation for LCP on export market assessment

December 2001 — Ontario wholesale market assessment

December 2001 — Overview of New England Power Market

February to March 2000 — Reference Pricing Issues: Review of Reference Pricing, Hedging and Market Influence Issues

October 1999 — Labrador Hydro Project export market price forecast update

May 1999 — Average pricing forecast

October 1998 to January 1999 — Assessment of market pricing mechanisms for LCP

May 1998 — Churchill River Project export market study

Some of the contracts are more interesting than others — like, for example, the fact that Navigant was hired to help Nalcor prepare to put the Muskrat Falls project forward to the joint federal-provincial environmental panel. Another interesting facet? At least 10 of the projects specifically mention work on Lower Churchill power projects.

And how did Navigant get the job as “independent reviewer” of the project? Here’s Nalcor’s explanation, from PUB document No. 96: “Navigant submitted a proposal to Nalcor on May 20, 2011 to undertake the Independent Supply Decision Review. The contract between Nalcor and Navigant was executed June 30, 2011.”

Was it a truly independent analysis?

OK: Nalcor certainly believes that it was.

Here’s Nalcor boss Ed Martin, talking to the Canadian Press news service last September: “I think for anyone to believe that a company like Navigant would not give an independent assessment — that’s what they do. They’re one of the biggest. They’re one of the best and they’ve given us a report that we can stand by.” Arm’s-length? Now, that might be a whole different kind of question.

- 21 Jan 2012
- The Telegram (St. John’s)
- Burford Ploughman St. John’s

Questions about power

Two weeks ago, the Globe and Mail listed the top 10 infrastructure projects in Canada.

Hydro-québec’s Romaine complex was listed as third at an estimated cost of \$6.5 billion and No. 4 was Muskrat Falls at \$6.2 billion.

What was omitted from the listing was the amount of energy each project would be producing.

For the interest of your readers, the energy output from the Romaine will be 1,550 megawatts of power while the energy output from Muskrat Falls will be 825 megawatts.

In other words, the cost of a megawatt of power from Muskrat will be almost twice that of the Romaine. Question? Who is our main competitor for the sale of this power? Answer, Hydro-québec.

Consequently, how can we sell this power at a competitive price if our costs are almost twice as high as our competitor's?

The only way, as I see it, would be to subsidize the cost which would have to come from the taxpayers of this province. Have we determined what this subsidy will cost? Also, Hydro-québec plans to develop another three rivers along the Quebec Lower North Shore.

On another matter. When our government signed the term sheet with Emera in November 2010, it was supposed to be converted into an agreement by Nov. 30, 2011. This deadline has since been extended to Jan. 31, 2012, a little over a week from now. Will the agreement be signed on that date or will we be looking for a further extension?

- 20 Jan 2012
- The Telegram (St. John's)

Project a done deal

Aubrey Smith in his letter of Jan. 13 "Might as well get used to it" is right on the money (no pun intended).

It appears the government couldn't care less about the low and middle class income earners — attempting to keep heads above water, trying to make ends meet.

They are not on the negotiation table when it comes to the multi-billions of taxpayers dollars going into the proposed development of Muskrat Falls.

For the average Newfoundlander, this whole exercise is maddening.

It's nothing but sheer politics and all the economists and people in the know are being ignored by the Dunderdale government.

Yes, we might as well get used to it, as Premier Kathy Dunderdale eventually will get her way and the project will proceed on blind faith.

Full speed ahead

History is being ignored. Mistakes of the past (including in Labrador) are not considered, it appears, while everything ultimately rests upon the project — our future and the future of our young people included. What kind of debt will they inherit? No wonder we are growing justly weary of our politics and politicians. Politics is the driver of our future. It will determine whether we will live long enough to be heard one day.

At the moment, our voices are not being heard.

As Aubrey Smith wrote, we might as well get used to it.

With the staggering power Dunderdale and her government have in our House of Assembly, what alternative do we have?

While it appears we ordinary Newfoundlanders and Labradorians have to suck it up, I hope Nalcor officials remember they are but our servants, nothing more and nothing less.

We will remember! Bill Westcott Clarke's Beach

- 20 Jan 2012
- The Telegram (St. John's)

The 'oops' factor

When you wade into a gnarly web of tuck a more, chances are high you'll trip up at some point. MUN economist Wade Locke has found that out the hard way. Not only once, but twice.

On Tuesday, Locke presented his analysis of the proposed Muskrat Falls hydro development. The Lower Churchill River project, he concluded, is the best option for the province's long-term electricity needs.

Locke prefaced his talk with a heartfelt declaration that his work was independent, and that his conclusions were his own, honest opinions. He answered, as best he could, several questions from the audience — including from fellow economist James Feehan, who doesn't share his assessment.

But on Wednesday, Locke told Telegram reporter James Mcleod that a couple of his numbers weren't quite accurate. Specifically, a couple of slides in his presentation did not include the price of transmitting the power to the island portion of the province.

On Thursday morning, Mcleod received a phone message saying that Locke wanted to further clarify the matter and that the original numbers presented Tuesday night were accurate after all.

But the message wasn't from Locke. It was from Nalcor spokeswoman Karen O'neill. Nalcor is the Crown-owned proponent of the project.

Only 10 minutes later did an email arrive from Locke, arguing that his final numbers are still sound, despite the incomplete calculations in those slides.

Facts and arguments should speak for themselves, but sometimes perceptions can have a major effect on credibility.

Whether it was a harmless lapse in judgment or not, the call from Nalcor inevitably draws into question how distant the company is from Locke's study.

And, unfortunately for Locke, this is also not the first time he has had to change or clarify something presented in a public forum.

In April 2007, Locke announced that the province could expect a windfall of \$24 billion over 13 years under a new equalization formula announced in the federal budget.

A week later, however, he had to revise that number to \$17.5 billion, slightly less than the status quo. The discrepancy arose because of caps outlined in the implementation legislation, something he insisted federal officials did not tell him about. (The feds claimed otherwise.)

Credibility is important in academic circles. While there is nothing to suggest Locke was not honest and thorough in his work, discrepancies that arise after the fact inevitably lead to serious questions.

As do calls from a third party who is supposed to have nothing to do with the study.

After the equalization revision in 2007, Locke had clearly had enough of the public spotlight.

"I will have nothing else to say on this particular issue, nor will I be undertaking further analysis in the specific area," he said in a statement at the time.

He may well be thinking of reissuing those same words today.

- 19 Jan 2012
- The Telegram (St. John's)

Time to ask questions

There is something very strange and most unfortunate happening in our province just now.

Late last week, for example, we had a former premier acting as though he were still premier while the sitting premier is carrying on as though she were still acting. And it's all about Muskrat Falls.

If you came to our province from Mars and got caught up in the debate only last week, you would believe that the only folks who understand Muskrat with all of its implications are Danny Williams, Jerome Kennedy, Kathy Dunderdale and the good folks at Nalcor. The rest of us are dunderheads — that is, those who do not agree with any of the above.

The really foolish part of all this is that Danny Williams, who was such a notorious bully as premier, believes he has the right to dominate the public airways with his version of trash and castigate someone with the integrity and insight of David Vardy.

Does Danny Williams not remember that this man Vardy gave much of his life to public service, that indeed he spent decades as one of the top civil servants in the province and under Progressive Conservative administrations at that?

Not only did he serve as senior civil servant but served as president of the Marine Institute and as far as I know still works in academia!

This is a man whose thoughts Williams labels as trash and all because Vardy was defending the citizen's representative on the Public Utilities Board for trying to do the review of Muskrat Falls that he is mandated to do. Further, Vardy quite rightly suggested that the matter of Muskrat is so vital to the province that there should be a referendum whereby everyone in the province gets a chance to vote on it.

And I note that Dunderdale did not defend Vardy from the savaging of Williams, which probably tells us a lot more than we need to know about our premier as well.

Given a choice between the ranting of Danny Williams — the hockey/mining promoter — and the level-headed, insightful thoughts of David Vardy, Williams comes in a very distant second. The good news is that the louder Williams et al try to defend Muskrat, the more we as the citizens of this imperilled province should be questioning just what is going on.

Wayne Norman St. John's

- 18 Jan 2012
- The Telegram (St. John's)

Why not do the review?

BY GABE GREGORY

The Muskrat Falls development is the largest project to ever be undertaken by the Newfoundland and Labrador government / nalcor.

David Vardy and Ron Penney highlight some of the risks associated with this project (“Muskrat Falls must have full review,” Jan. 12) and call on government to allow due time for an informed public process for information and debate.

The government response is “no.” Government is not allowing the Public Utilities Board the time it needs to conduct such a process. The government's position is that debate will take place in the House of Assembly.

So which process serves our interests best?

With all due respect to the House of Assembly, this debate is political debate that is often not focused on facts but one or more political parties opposing each other for political show.

Indeed, it could likely turn out to be a long schoolyard argument.

The premier recently referred to debates in the House of Assembly as a waste of time — not what we want on \$6,200,000,000.

Let's take a moment to consider a known fact about Muskrat Falls. The cost estimate is \$6.2 billion. That is a massive investment in one project by the people of this province.

Nalcor has no experience executing a project of this scale.

The closest project to it was minuscule by comparison and experienced very significant overruns in respect to cost and completion deadlines.

Cost overrun is likely the greatest real risk with the Muskrat Falls development.

What if the cost at completion is 50 per cent higher? Newfoundland and Labrador Hydro's (Nalcor's predecessor) past experiences with cost overruns have been much higher.

This is but one of the many risks associated with the Muskrat Falls development.

Given the risks, shouldn't the people demand a transparent, informed, independent, public process as suggested by our learned Messrs Vardy / penney?

It will only add 90 days to the decision time frame, at most, and that time extension and associated cost is one that is well worth it relative to the final bill for Muskrat Falls.

Newfoundland and Labrador needs to get this right and it is the people's money that Nalcor is spending, so why not allow for an adequate public process focused on factual information and the best assumptions/judgments available from both Nalcor and independent sources?

Is there really any other reasonable alternative on a project that has so much inherent risk for the province's people?

By comparison, a decision based on political processes is an unacceptable replacement.

Gabe Gregory writes from Portugal Cove-St. Philip's.

- 17 Jan 2012
- The Telegram (St. John's)
- Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Williams proves the point

Somewhere, the gods of irony are having themselves a great big chuckle, or maybe even a belly laugh. Late last week, former St. John's city manager Ron Penney and former Public Utilities Board head David Vardy wrote a letter to The Telegram talking about Muskrat Falls.

It was a letter that was relatively moderate in tone. The guts of it? "What we need is the most robust and thorough review possible, and the consumer advocate should be given all the tools he needs to ensure this is the case and that the public interest is protected." Seems reasonable. Vardy and Penney also chided those who have private concerns about the massive project, but prefer to keep those thoughts to a gentle backroom murmur: "We know there are many knowledgeable people who have strong reservations about this project but, who, for personal reasons, are reluctant to make their concerns public. It is now vitally important that they make their concerns public while there is still time to influence this decision."

Once again, seems reasonable. If you've got something to say, say it publicly, while it still has some kind of chance to have an effect.

But apparently that's not reasonable at all, according to former premier Danny Williams, the original architect of the Muskrat Falls project. The CBC tracked him down to get a comment or two, and Williams was obligingly offensive.

"I'm very disappointed in Dave Vardy's comments, and the kind of nonsense that he's getting on with," Williams blustered.

"Basically (they are) saying that it's a small community and people are afraid to speak out. What kind of garbage is that?" Williams said. "To try and sort of taint it with some insinuation that people don't want to speak out on this is absolutely absurd and it's irresponsible." Oh, and, by the way, it's true. Because if you do speak out, you're speaking, um, irresponsible garbage and absurd nonsense.

I've spoken to a series of business people in this city who are unsure about the project as a whole, decidedly concerned about the current process that seems to trundling along with all the decisions effectively already made, and yet are absolutely determined not to say one single public word.

They'll phone and tell you issues they'd like to see addressed, they'll ask questions and explain their concerns, but they start every conversation setting the ground rules — not one single thing they say is to be attributed to them in any way. Their fears? That they'll be singled out and

publicly lambasted — something we all know happens, and which Williams himself, even in premial retirement, is once again living proof of — and more sinisterly, that their businesses will be affected.

Will their businesses be affected? The fact is, the provincial government has a long arm in this economy and no business person worth their salt will harm their own opportunities if there is even the appearance that speaking publicly will bring corporate repercussions.

Does that appearance exist? Well, it must: otherwise, companies doing consulting work for the provincial government would not feel it necessary to buy whole tables of seats at party fundraisers. The same business people who aren't talking publicly about Muskrat Falls also aren't talking publicly about being telephoned by party representatives — telephone calls where the business people are told how many seats they are expected to buy for specific events.

Clearly, there must be some concern that there's a direct line between your actions and corporate repercussions.

It may not be a legitimate fear that if you speak out against Muskrat Falls, your business will be affected.

But one thing is for certain: if you do speak out on Muskrat Falls, there's a good chance you'll be publicly roasted.

It's ironic that Williams not only decided that the Vardy/penney letter was more strident than it actually was, but that he also had to then go out and prove that what they hadn't really said was actually true. You could not make this stuff up.

- 14 Jan 2012
- The Telegram (St. John's)
- Russell Wangersky
- Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

What happens when you stop listening

Spend enough time on top, and you forget how to be anything but on top. And when you do, you also forget critical skills.

That's an interesting argument, one that came from former Reform Party leader Preston Manning in The Globe and Mail earlier this week.

Lord knows, I can't be accused of agreeing with Preston Manning on a lot, but I agree with him on this.

Here's a snippet: "When you're the governing party, especially for a long time, you begin to rely more and more on the civil service and taxpayer dollars for everything — including the key elements required to keep your party vigorous, strong and relevant.

"Does your party need intellectual capital — a steady stream of policy analysis and ideas? As the governing party, you can always expropriate some of it from your political opponents. But the longer you are in office, the more likely you are to get an increasing proportion of your intellectual capital from the civil service or by the use of taxpayer dollars to fund research projects and policy studies on any subject."

Essentially, Manning argues that parties get weakened by governing — they end up letting their other sources of ideas and information atrophy. Manning was arguing that was essentially what happened to the federal Liberals: they became critically unprepared for anything except the spoils of power.

Applicable theory

It's an argument that you can make about any long-in-the-tooth administration, though.

Consider this snippet of legislative logic from Premier Kathy Dunderdale, she of the "there's-no-need-to-open-the-house-of-assembly-because-fame. Her government is now in a big rush to get a debate in the House on the Muskrat Falls project — in such a rush that the government doesn't even want the Public Utilities Board to do a complete review of the project anymore. And there will be plenty of time to have the House debate, even though there don't seem to be any plans to actually have time dedicated strictly for Muskrat Falls.

Instead, to hear the government talk about it, the opposition can make their points during formal, time-set debates like the debate on the throne speech or the budget.

Here's why, in Dunderdale's own words: "Because the budget is a money bill, you can discuss anything under the sun," she told reporters.

In that scenario, the budget debate is reduced to a given — just a block of time to talk about anything — and to a certain degree, the budget is a given, at least as far as that it's a given that the budget will be passed by Dunderdale's government.

But the interesting thing you can parse from her statement is that, as far as she's concerned, it's already a given that the budget is the absolute best it can be — because, as it turns out, it doesn't matter what issues the opposition raises about the budget. It doesn't matter what the opposition raises at all.

It doesn't matter what other opponents say either, even about Muskrat Falls: any required debate can be shoehorned into the regular process of the House, during particular debates when no government minister is required to even mention Muskrat Falls, and will likely address not one single concern.

In that scenario, the whole need to rush the PUB'S work to get to the debate on the project in the House is merely a Trojan horse.

Essentially, “You people do your blah-blahs, and we’ll just go ahead and do what we want to do anyway.”

Your input doesn’t matter to us

So Preston Manning has a point: eventually, long-term governments rely on their internal sounding boards and discredit any voice from outside.

Here he is again: “Our advice to our political friends? Build and maintain your ‘democratic political infrastructure’ — the intellectual capital generators for politicians, the training programs for political activists, and the political communications vehicles — when in opposition but continue to build and maintain it, outside of the civil service and through private donations, even after becoming the governing party.

“To fail to do so is to court eventual political collapse and impotence from which it may take years, even decades, to recover — witness the current state of the federal Liberals.”

And what does that look like here? Well, you could say we’re precisely in midstream, with a government accustomed to power, completely unfamiliar with what it would be like to have the feel of an opposition seat under its collective backside, and a government on the verge of making a decision on one of the largest public construction projects in the province’s history — a decision it’s already so convinced it is right about that it can’t even be bothered to wait for a full independent examination of the plan.

- 13 Jan 2012
- The Telegram (St. John’s)
- Brian Jones Brian Jones is a desk editor at The Telegram. He can be reached by email at bjones@thetelegram.com

Messing with Muskrat

The news about Muskrat Falls goes from bad to worse to farcical. You’re tempted to laugh, but are prevented from doing so by sad knowledge of the heinous Upper Churchill deal, and the suspicion that several decades hence your grandchildren will equally curse the heinous Lower Churchill deal.

Politicos — scientists, theorists, experts — have yet to explain an inherent but contradictory trait of democracy: elected governments seldom listen to their people.

“We know best,” seems to be the motto of too many elected representatives.

When their presumed superior wisdom and arrogance backfires, it is the people who pay (see: Grand Falls pulp and paper mill, expropriation of).

Embarrassing ‘embassy’

When governments make good decisions, it is often by accident, for the wrong reasons or years too late.

Consider the closure this week of Newfoundland’s (and Labrador’s) Ottawa office of federal-provincial relations.

It was an awful idea from the start. A provincial “embassy” in Ottawa? What, are you trying to give mainlanders easy one-liners about N-----s?

Almost eight years later, the provincial government finally closed the office, and will save about \$360,000 annually — .009 per cent of what they’re intent on blowing on Muskrat Falls.

Erroneous explanation

As with wisdom, so with logical consistency — it is a challenge for most governors.

Ponder Premier Kathy Dunderdale’s approach to the House of Assembly.

On the very night she was elected, Dunderdale displayed appalling arrogance and condescension (see “we know best” above) by declaring to the people who had just elected her that the House of Assembly would not open.

There was no need for the House to sit so soon, the new Great Leader opined, because there was no legislation ready to be debated.

This explanation couldn’t make sense to anyone who worked more than 100 metres away from the Confederation Building.

It was indeed shocking to learn the one and only function of the people’s legislature is to pass legislation. We have to wonder which textbook Dunderdale read that in. A term paper making that argument would get an F.

A legislature is where the people exercise their right to hold their government to account. It is where questions are asked, information is requested, issues are debated, explanations are demanded, petitions are presented, actions are condemned. Occasionally, laws get passed.

A mere three months later, Dunderdale has revised her thesis. She now takes an opposite stance. (See “logical consistency” above.) A sitting of the House of Assembly is no longer unnecessary — it is suddenly absolutely essential.

According to Dunderdale, the Public Utilities Board can't have the extra three months it requested to fully complete its review of the Muskrat Falls deal, because the House of Assembly has to sit in the spring and make a decision.

What's the hurry, you might wonder.

"You've heard all the discussion that has come from opposition parties about opening of the House and having an opportunity to discuss issues," Dunderdale told reporters this week. The gall. To recap: in October, Dunderdale — premier-elect for barely more than an hour — declares the House of Assembly will remain locked and dark. In the spring, she'll rush through Muskrat Falls approval without all the facts because, well, you know, the opposition wanted to gab in the House. It is a farce, and an insult to the public.

The various statistics and arguments for and against the Muskrat Falls deal are complicated enough — now people are faced with a highly questionable process.

When the chairman of the Public Utilities Board says more time is needed for a full and proper review, the premier should listen.

- 13 Jan 2012
- The Telegram (St. John's)

Might as well get used to it

Folks on subways in New York, London, Mexico City and Washington, D.C. dropped their pants recently and displayed their underwear in the 11th annual international "No Pants Subway Ride." Why did they do that? Was it to entertain and encourage fellow humans to laugh their heads off — or pants off, if you permit me a little humour — and to reduce social stress?

Was it to show others we are all just one big happy family of human beings?

Or was it a libertarian effort to express the need for a sense of freedom in an increasingly repressive society?

Maybe it was all of these motivations.

In any case, I believe we in Newfoundland and Labrador should start this practice on city buses and in taxis.

But why? In our case, the motivation would be obvious at this point in our provincial history when our intransigent government intends to strip us taxpayers of all disposable income once our hydro bill doubles as a result of Muskrat Falls.

So, why not start self-stripping now so that we may become accustomed to the sensation and the bleak future of low incomes and increasing living costs.

Aubrey Smith Grand Falls-Windsor

- 12 Jan 2012
- The Telegram (St. John's)
- Ron Penney is a former deputy minister of justice and city manager for the City of St. John's. David Vardy is a former secretary to cabinet and chairman of the Public Utilities Board. BY RON PENNEY AND DAVID VARDY

Muskrat Falls must have full review

We wrote the former minister of natural resources, Shawn Skinner, in May asking him to have the Muskrat Falls project reviewed by the Public Utilities Board. We were pleased that the minister agreed to refer the project to the board, even though the reference was limited to comparing the isolated island option with the Muskrat Falls project, and the reference was advisory only.

We have been following the process quite closely since then and commend the board for its transparent approach, which allows interested members of the public to follow the information flow between the board and Nalcor. The correspondence demonstrates the frustration being experienced by the board with the timeliness and quality of the responses being provided by Nalcor.

We were therefore not surprised by the recent request by the board to have the deadline extended for the completion of the reference until June 30 and fully expected Minister Jerome Kennedy to provide the extension.

We were shocked by the immediate decision of the minister to deny the request. The stated reason is to allow a debate in the House of Assembly in March but there is no reason why the House cannot debate this in July, following the completion of the reference.

As pointed out by the chair of the board in his letter to the minister of Jan. 6, the likely result of this decision will be to reduce the role of the consumer advocate and to restrict public consultations to St. John's. We urge the minister and the government to reconsider this decision.

The Muskrat Falls project is by far the largest capital works project ever undertaken by the provincial government and the most important public policy issue ever to have faced Newfoundland and Labrador.

It requires careful and comprehensive independent analysis and a public debate, informed by that analysis. That is the purpose of the reference to the board and to restrict that review does a disservice to the people of the province.

This project exposes us to significant risk.

Major infrastructure projects like this inevitably cost considerably more than originally estimated so we might well double the debt of the province at a time when it is likely that offshore revenues are in decline and our expenditures are increasing to meet the challenges posed by our changing demographics.

We are also concerned about the minister's criticism of the approach of the consumer advocate and the stated intent to restrict his role. This is most unfortunate and should also be reversed.

What we need is the most robust and thorough review possible, and the consumer advocate should be given all the tools he needs to ensure this is the case and that the public interest is protected.

In the interest of such a robust enquiry there should be an opportunity for interveners to register and obtain standing so they can place their evidence before the board.

We know there are many knowledgeable people who have strong reservations about this project but, who, for personal reasons, are reluctant to make their concerns public. It is now vitally important that they make their concerns public while there is still time to influence this decision.

The minister also needs to seek out those informed citizens. He needs to broaden his circle of advisers and not rely solely on Nalcor. This is not to say that those officials are not acting in good faith, but there is a natural human tendency to reject alternate views after much effort and money has been expended.

All parties should set aside preconceived ideas and partisan positions on this project and allow the evidence to determine the final decision.

Given the significance of this decision with reference to present and future generations, there should be a vote in the provincial parliament, the House of Assembly. Depending on what the board advises, and the response of the House of Assembly to that advice, it may well be the kind of decision, like denominational education, which requires a referendum. This decision should not be made by the executive branch of government on its own, without parliamentary approval or a referendum.

It is vitally important that all options be pursued with vigour, rather than limiting the mandate of the PUB. The board should be allowed to consider the other issues that have been raised publicly over the past year such as the use of natural gas as feedstock for the Holyrood thermal plant, incentives to reduce demand during the winter peak, conservation measures, and estimates of future population and electrical load growth, among others. Furthermore, we maintain that these issues are legitimate questions within the review of the isolated island alternative to Muskrat Falls, even though we believe that the board should be unfettered in its mandate.

Minister Kennedy, government is betting the future of Newfoundland and Labrador on this project. You have an obligation as minister of Natural Resources to do everything possible to ensure that it is the right decision and that all due diligence is taken.

There is no overriding urgency which would warrant compromising this reference by denying the PUB the additional three months. This is a decision which will define how your administration will be remembered, particularly in 2041 when the Upper Churchill contract comes to an end and we have unrestricted access to very low cost power.

- 9 Jan 2012
- The Telegram (St. John's)
- BY MAURICE E. ADAMS Maurice E. Adams writes from Paradise.

Peat and power

There is nothing sexy about using peat biomass to generate electricity. Unless of course, peat-fuelled power generation can save residential customers (and local businesses) hundreds, thousands and perhaps even tens of thousands of dollars a year in electricity costs.

And unless, of course, peat biomass is carbon neutral, low in sulphur, low in mercury, long-term renewable, has the BTUS per pound energy equivalency of coal, can create hundreds (and perhaps even thousands) of full- and part-time jobs in rural parts of the province, and exists in sufficient quantities in the Stephenville and Gander areas (and on the Avalon Peninsula) to ensure a security of supply (and stable electricity rates) many, many decades into the future.

Peat biomass is so abundant on the island portion of the province that the rights to develop 130,000 hectares of this undeveloped energy resource have been granted by the province's Department of Natural Resources (the same department that supports the Muskrat Falls project) to Peat Resources Ltd. of Toronto, a reportedly clean energy company that trades on the Toronto Venture Exchange.

Not only is the development of this resource supported by the province (as a potential \$40-billion export industry), but peat biomass is also identified in the province's Energy Plan as a potential source of undeveloped energy. The Energy Plan estimates that there is 1.4 billion cubic metres of peat biomass in the province (enough to generate hundreds of megawatts of electricity well past year 2041).

While the province has supported a pilot plant/project which has successfully supplied peat fuel to the Corner Brook pulp and paper mill, it appears that since other jurisdictions use peat biomass to help them reduce their energy costs and reduce their carbon footprint, both the province and the company's main focus has been to develop this valuable energy resource — not to meet our own domestic electricity generation, economic development and greenhouse gas reduction needs, but as a multi-billion dollar export industry.

While Peat Resources Ltd. reports that it has produced peat-fuelled electricity in Ontario for eight cents per KWH (using a more modern harvesting and drying technology, the same

technology that it is successfully using in Stephenville), this fact seems to have had no impact whatsoever on the Muskrat Falls debate.

In fact, according to Nalcor's final submission to the Public Utilities Board (PUB), only "forest" biomass (not peat biomass) was screened out of Nalcor's Muskrat Falls energy generation alternatives (forest biomass being screened out because there is an insufficient supply of "forest" biomass on the island to meet the power generation needs of the province). The word "peat" does not even come up.

Even though (for the purposes to the Muskrat Falls project), Newfoundland and Labrador Hydro (NLH) has been exempted from the Electrical Power Control Act (the Act which requires NLH to provide power at the "lowest possible cost"), Nalcor Energy, in its final submission to the PUB concerning the PUB'S review of the Muskrat Falls project, states that Nalcor's mandate is in fact driven by both — the "lowest possible cost" provision of the Electrical Power Control Act and the requirements of the province's Energy Plan (which identifies peat biomass as one of the island's key undeveloped "energy" resources).

But how can Nalcor Energy, in its final submission to the PUB, say that it is mandated by the Electrical Power Control Act (EPCA) to provide "lowest cost power," when Nalcor Energy knows that Newfoundland and Labrador Hydro has been exempted from the ECPA for all activities associated with the Muskrat Falls project (including its legal requirement under the Act to provide lowest cost power)?

And why then does it seem that Nalcor Energy is also not committed to the requirement of the province's Energy Plan — which identifies peat biomass as a major, undeveloped, potential, island-based energy resource?

If peat-based biomass energy is suitable (environmentally) for harvesting and export to other jurisdictions, why isn't it being properly assessed for domestic power generation and economic development purposes?

Furthermore, if peat biomass has not been properly assessed with respect to its potential for domestic power generation, what confidence can Newfoundland and Labrador consumers have in Nalcor's claim that natural gas has in fact been credibly screened out as a possible lowest cost option?

Given that natural gas and peat biomass options have both been excluded from the review process being conducted by the PUB, what confidence can consumers have that either the Muskrat Falls option, or Nalcor's isolated island option, is in fact, the lowest possible cost option? Or to address the matter in terms of "giveaways": which is the bigger giveaway?

A high cost, unaffordable Muskrat Falls option, where heavily subsidized power is exported to Nova Scotia, or a \$40-billion peat biomass export industry, where the energy resource is exported to Europe, to the United States or to China to help them meet their low cost (and low carbon) energy needs?

You be the judge.

- 22 Dec 2011
- The Telegram (St. John's)

Rock vs. hard place

On Wednesday, Natural Resources Minister Jerome Kennedy told the media that the provincial cabinet wouldn't be extending the Public Utilities Board's review of the Muskrat Falls project to June 30, 2012.

But Kennedy seems to have missed the point of the PUB'S letter to him concerning its ability to do the review, because board chairman Andy Wells wasn't actually asking for time — he was telling the government the time was needed.

“The reason this extension is necessary is Nalcor's failure to provide the required information in a timely fashion. ... Given government's desire to have this review completed in March, we have reconsidered the work that remains to be done to see if there are opportunities to make up for the time lost as a result of the late filings by Nalcor. Unfortunately, I must advise that it is not possible for this review to be completed any earlier than the end of June 2012. The full and fair participation of the consumer advocate as well as the public hearing required by section 5 of the Electrical Power Control Act, 1994, SNL 1994, c. E-5.1 will dictate the schedule until late spring and it is only then that the board can begin to write its report,” Wells wrote.

That this is a ponderous process can be seen from Kennedy's own correspondence: the PUB requested an extension to its Dec. 30 deadline on Sept. 22 and it took 81 days, until Dec. 12, for Kennedy to respond.

“We look forward to discussing these options with you, and to receiving the report of the board on this matter of fundamental importance to the province,” Kennedy wrote. That generated its own response from Wells, just four days later: “As you note in your letter, this matter is of fundamental importance to the province. Given the magnitude of the capital costs, the complex technical nature of the information to be considered, and the significance of the matter for the island interconnected electrical system and the province in general, the board must ensure a full and comprehensive review with full opportunity to the consumer advocate and other interested persons to participate.”

And it's not just the PUB that seems to be having trouble tracking down numbers. Emera, the Nova Scotia company that has a deal to receive power in exchange for building the Maritime link, says it can't calculate what the final price of its power will be, because it doesn't know the complete construction and financing details of the project. And when The Telegram asked Nalcor to provide its calculation of the unblended cost of Muskrat Falls power at Soldier's Pond, the Avalon end of the power line from Labrador, this was the response: “Nalcor has not calculated a rate for Muskrat Falls power delivered to Soldier's Pond. The cost of power from Muskrat Falls will be incorporated into the island rate base as a power purchase expense for Newfoundland and Labrador Hydro, in the same manner NLH records existing power purchase expenses from non-utility suppliers, e.g. wind farms.”

The joint federal/provincial environmental panel looking at the project said there were too many unanswered questions and the province's Environment Department said on Dec. 8 that four out of five of the project's component studies needed more work.

And several other reviews of the project have only just begun. At least the PUB has company.

- 17 Dec 2011
- The Telegram (St. John's)
- BYMAURICE E. ADAMS
- Maurice E. Adams writes from Paradise.

The danger of long-term forecasts

In a Dec. 2 Telegram article ("Minister says he can't explain Emera comments on energy rates"), Natural Resources Minister Jerome Kennedy is quoted as saying that "people should focus on two basic questions, does the province need the power, and is this the cheapest option to get it?"

First of all, Nalcor says that if we exclude the increase in demand from Vale's Long Harbour plant, Nalcor is using a conservative demand forecast growth rate of 0.8 per cent per year.

But is 0.8 per cent truly conservative, when over the last 20 years the island's actual growth rate has been near zero?

In fact, 0.8 per cent is eight times more than the island's 20-year historical growth rate of 0.1 per cent (demand in 2010 has again shown no growth, and was on par with demand in 1989).

Notwithstanding these facts, Nalcor argues that their experts at Newfoundland and Labrador Hydro have 40 years' experience in demand forecasting, and therefore, their 0.8 per cent growth rate for the next 50 years, can be relied on.

But can they?

Very long-range

The facts, from Nalcor's November, 2011 Final Submission to the Public Utilities Board (PUB), show that instead of experience in conducting 50-year demand forecasts, Nalcor's "long term" forecasting experience (for the last 40 years) has not been in conducting 50 year forecasts, but instead it has been in conducting 20-year forecasts — forecast periods that are less than half the 50year forecasting period that Muskrat Falls relies on (and needs) to show a good business case (or that Muskrat Falls needs to be in the running for a possible "leastcost" option).

Not only has Nalcor admitted (in its final submission to the PUB) that its 40-year demand forecasting experience has been limited to doing 20-year forecasts, but provincial legislation (the Hydro Corporation Act, section 12), the very legislation that Newfoundland and Labrador Hydro

is bound by, expressly prohibits Newfoundland and Labrador Hydro from requiring from its clients demand forecast periods that exceed 20 years.

Now why would Newfoundland and Labrador Hydro's own legislation discourage (and even prohibit) demand forecasts that exceed 20 years if not in recognition that 30, 40, 50 and 60-year forecasts are unreliable at best, and perhaps that they should therefore not be used as a primary reason for multi-billion-dollar investment decisions?

To look backward for just one moment.

Isn't it more correct to say that the Upper Churchill project/contract was flawed — not because it failed to have an "escalator clause," but because the project proponents were at that time (like they are today) relying on their expectations and forecasts — 40 and 70 years into the future?

Academic papers have previously argued that nuclear technology was at that time coming into its own and that the Upper Churchill proponents were expecting that as nuclear technology matured, electricity rates would actually decline rather than increase.

So why would Newfoundland need an escalator clause when expectations were that electricity prices would go down? Hence, the folly — not of failing to have an escalator clause, but of basing major decisions on "expectations," on unforeseeable, long-term 40, 50, or 60-year "forecasts."

But aren't we again, with Muskrat Falls, forecasting 40, 50 and 60 years out? As if these expectations/forecasts were a given?

This time around however, we are forecasting not that rates will decline, but that oil prices (and energy demand) will both continue to increase. To protect ourselves this time around then, how do we include a "decelerator" clause?

One wrong move

How are we protected if both, or even just one, of these expectations/forecasts turns out — just like the Upper Churchill — not to be so? Who will pay the price for that? Who will protect the ratepayers and taxpayers from that?

The error is (as alluded to in the Hydro Corporation Act) not in whether we are forecasting that rates (and oil prices) will rise or fall, but whether any forecasts beyond 20 years should be relied on, used and considered as a sound basis, and particularly, as a primary basis, for large-scale development and multi-billion-dollar borrowing decisions. It is in this way (with respect to the Muskrat Falls project) that we must not repeat the errors of the Upper Churchill project. Instead, we must learn from, and this time around, avoid them.

We especially need to avoid making multi-billion-dollar decisions based primarily, or even largely, on unsubstantiated 30, 40, 50 and 60-year forecasts and expectations.

Only to 2025

Furthermore, and in apparent recognition of the problems associated with forecasting beyond 20 years, we should note that Nalcor's own consultants (PIRA Energy Group) provides oil price forecasts only up to year 2025.

For year 2025 onward, Nalcor's 50-year oil forecast is little more than an extrapolation of PIRA'S last 2020-2025 forecast period (combined with an estimated inflation factor).

Also noteworthy is the fact that both of PIRA'S last two updated forecasts showed what seem to be the beginning of the end of its upward oil price forecast.

Both its May and August 2011 forecasts have oil prices beginning to trend downward.

Furthermore, Canada's own National Energy Board (NEB), in its "Canada's Energy Future: Energy supply and demand projections to 2035, November 2011" report, also forecasts oil prices only out to year 2035.

For year 2035, the NEB forecasts that oil prices will be only about one-half Nalcor's most recent year 2035 forecasts.

If the public utilities board used NEB (instead of Nalcor's) oil price forecasts, the likelihood that Muskrat Falls would ever be shown to be the lowest possible cost would be substantially reduced.

Furthermore, if even just 20 years into the future Nalcor's oil price forecasts therefore are 100 per cent too high, how much in error are they likely to be 30, 40 or 50 years out?

When there is such a difference in expert opinion and forecasts just 20 years out, what does that say about the sense, about the feasibility and reliability of the PUB doing a 50-year cost comparative analysis — especially when it appears that the industry norm (and our own legislation) appears to point to a 20year maximum as being reasonable for demand forecasting?

Minister Kennedy is correct (but only in part) when he says that Newfoundlanders and Labradorians need to focus on the question "does the province need the power?"

Equally, and perhaps even more importantly, Minister Kennedy, the government, the PUB and Nalcor all need to focus less on what might be — some unforeseeable 60, 50, 40 and even 30 years out.

What they need to do is to focus more on the question of "what power does the province need now, and for the next 20 years?"

Only then can the people (or the PUB) answer the minister's second question.

And the second question should not be "what is the cheapest option?" but "what is the cheapest option — for the most reasonable (and foreseeable) demand forecast period?"

- 9 Dec 2011
- The Telegram (St. John's)
- George Martin Clarenville

Hiding doesn't make problems go away

I'm pretty well convinced that were I a member of the House of Assembly, I would be ejected by the Speaker on a fairly regular basis (that is, of course, if the premier ever gets around to deciding to open the honourable House sometime).

How so, you ask? Here's how. I'd be thrown out for labelling some of the assertions made by those same honourable members as less than the truth or, if you wish, as downright lies.

A case in point. Premier Kathy Dunderdale has stated that she will not be opening the House of Assembly until spring because her government has no legislation prepared to deal with. (Here's my first ejection from the House.) I call that a load of ***** or a ***** — take your pick.

Please, premier, give us credit for some intelligence. For you to make a statement like that with a straight face defies credibility. You expect us to believe you? We don't! Neither do you, if you'll be honest about it.

Numerous important issues are crying out for undivided attention and you are saying that you'll get around to them in due course — say, next spring! I repeat, what *****.

As an aside, I wonder if someone had asked Ms. Dunderdale during the last election campaign when she was going to open the House of Assembly, would she have replied, "Next spring"?

Of all the issues facing our province that should be debated by the House of Assembly, I contend that there is one overriding reason why she won't allow this to happen right now, and that is the Muskrat Falls fiasco. This is her Achilles heel and she has used her power as premier to act in a dictatorial manner to shut down the democratic process in the people's House and this, I believe, should not be allowed to happen.

I have no way to prove this theory and the premier is not going to admit this is happening. However, some truths, Mr. Editor, are self-evident. The signs are everywhere; mum's the word as far as Muskrat Falls is concerned — at least, for the next two or three months — and then? Well, it will be a fait accompli.

Apparently the word has gone out to all concerned: say nothing or, more to the point, shut up. For example, members of the legislature never mention it, ministers talk about everything but, the premier's office is extremely quiet on this front, the silence from Nalcor is deafening, etc, etc.

Leave it alone, the message is. Don't talk about it, it's a non-issue, it will go away, people will forget it. It's a policy of "laissez-faire" just like it was practised in the French Revolution, with disastrous results. It didn't work then, it won't work now. Problems ignored will not go away. They only become bigger.

A thought — was it merely a coincidence that the minister who was the government's spokesman for the Muskrat Falls project, Shawn Skinner, lost his seat in the recent election?

We deserve better government than this, Premier Dunderdale. Will you deliver?

- 7 Dec 2011
- The Telegram (St. John's)

More questions

In The Telegram last week, Premier Kathy Dunderdale stated that there are only two questions which need to be answered regarding Muskrat Falls — one, do we need the extra power, and two, is this the least-cost option?

While the jury is still out on those two questions, there is a third perhaps more important question which the provincial government should be quite concerned about and should not stop asking until they have a clear answer to share with the public:

If the answer to question two is yes, the government should be demanding to know why we can't produce power for less than 14-plus cents per kilowatt hour (kwh) and challenging Nalcor and anyone else to come up with lowercost alternatives rather than shrugging their collective shoulders and moving ahead at that exorbitant cost.

It seems to be possible everywhere else, yet we're told that, here in Newfoundland and Labrador, that's the best we can do. Are we that incompetent? When you hear news items like the one stating that Hydro-québec is selling power to Vermont for six cents per kwh, does anyone think they are selling at a loss? Then you read that the CEO of Emera thinks 14 cents per kwh is too high to consider. Shouldn't that ring some alarm bells at the Confederation Building?

Additionally, what about all those companies the government tells us will be scrambling to set up here in Newfoundland and Labrador when we get this abundance of power? Will they be willing to pay 14-plus cents per kwh? Or will Nalcor and the provincial government have us subsidize their rates as well?

So many questions, so little time ... L.M. Knight Gander

- 3 Dec 2011
- The Telegram (St. John's)
- L.M. Knight Gander

Difference of opinion

Reading The Telegram's front page and editorial on Wednesday, Nov. 30, I couldn't help but be saddened by the contrasting philosophies at work with respect to Muskrat Falls.

Emera's CEO thinks that 14-16 cents per kilowatt hour is too high.

He wouldn't bring the project forward with those prices.

He also says he expects to get any incremental power for less than what the Northern States would pay.

Meanwhile...

On the other hand, Nalcor's CEO (and the provincial government) tells us that Newfoundlanders would be getting a wonderful deal at 14-16 cents per kw/h.

They can't understand why the naysayers (many of them prominent and non-partisan people) are spreading such false information.

Then they tell us "Don't worry the price for electricity will be that high anyway. You should be so happy to get this cheap power. Oh yes ... and we also get to put the screws to Quebec."

Unfortunately a lot of Newfoundlanders have believed the government and Nalcor's spin on this issue.

Many people I speak to on the topic offer the same comments: "They say the electricity is going to be that high anyway, so what's the problem?"

Higher prices

Maybe when they have to pay \$700 to \$800 to heat their house in February instead of \$300 to \$400, they'll realize what they let happen.

Since former premier Danny Williams signed the term sheet to develop Muskrat Falls, I've been at a loss to understand why our very own government believes that raising our electricity rates by 50 to 100 per cent — and possibly more — is a gift to the people of the province.

Serious impact

In a province where the percentage of pensioners keeps rising and more and more people are forced to take minimum wage jobs, an increase of that magnitude will be devastating to many.

They can tell us all they want that the rates are going up anyway but they haven't proven that fact, in my opinion.

I'm sure, unfortunately, that if this project goes ahead, the government and Nalcor will ensure that the rates rise in time to have the project look appealing.

If memory serves me correctly, didn't the government increase the permitted return on investment for Nalcor a couple years ago which contributed greatly to their getting that huge increase this July?

Maybe the finance minister should have put aside some of his "unforeseen" windfall revenues to help pay for the project and lower our rates instead of going full speed ahead and damn the electorate.

- 30 Nov 2011
- The Telegram (St. John's)

Rate debate

Sometimes it's good to know what other people are saying about you. Here's a samples from the discussion between Christopher Huskilson, president and CEO of Emera Inc. and Andrew Younger, a Nova Scotia MLA and member of that province's standing committee on resources.

The discussion comes from an Oct. 20 committee meeting that has finally been posted online.

Mr. Younger: "Thank you, Mr. Chairman. I guess we're back around the other side. I'm going to start with the question that everybody is going to want to know and I have a fear you're not going to tell me, but there are a lot of numbers out there so I know you're talking about it in boardrooms: what is the expected landed price of energy from Muskrat Falls?"

Mr. Huskilson: "We still don't know the number. I think what we do know is that it's going to be in line with other alternatives, so that's what we'd say and that is the year-one pricing. We will absolutely know the numbers by the time we file the application so when people are actually looking to make this final decision, they'll have the numbers in front of them. But until we get the capital costs well defined, until we get the definitive agreements in place and until we understand how much additional energy is available, those are all factors that will go in here.

"There are really three fundamental sources of value for Nova Scotia customers. One is the energy itself, the 20 per cent; the second is incremental energy, which we think will come at a lower cost and the reason is because Newfoundland will be looking at New England as the alternative; and the net back — the cost of getting it to New England versus the cost of buying it

in Nova Scotia — will be lower than the New England price, so that's a value that should be there.

“Lastly, as we talked about earlier, the amount of transmission revenue that comes. Those three things will be the sources of value for Nova Scotia customers and they will form a package which will get to that number. We just don't know all those facts yet.”

Mr. Younger: “You undoubtedly are aware that people are talking 14, 15, 16 cents a kilowatt hour, and I do understand that doesn't mean that's what you pay on the bill because there are lots of other things and it averages in with the other sources but is that the sort of ...”

Mr. Huskilson: “Well that won't make it. That kind of number won't make it.” Mr. Younger: “Why?” Mr. Huskilson: “It's too high, so it has to be lower than those kinds of numbers.” Mr. Younger: “That's good.” Mr. Huskilson: “We won't bring forward something that is not going to make it.”

It's interesting: as recently as six weeks ago, Emera — Nalcor's partner in this deal — didn't know the final price of Muskrat Falls energy, only that it wouldn't be in the range of 14 to 16 cents a kilowatt hour, because that would be too expensive.

Yet Newfoundlanders have been told the price is set for us, and that it will be in that “too-high” range.

Interesting times, indeed.

- 17 Nov 2011
- The Telegram (St. John's)

Labrador's loss

The beat goes on, with a paper from the Harris Centre written by David Vardy. Please remember, according to Premier Kathy Dunderdale, Muskrat Falls is a good project.

Mr. Vardy is not so sure. Neither are a lot of people. By the speed with which Danny Williams departed the scene, neither was he.

I said it before and, like Mr. Vardy, I will say it again. Without Quebec, this so-called project is going nowhere that makes any sense.

The question is; how do we stop this ship of fools from sailing that little noaccount electrical cord across the Straits, trekking it across the island twice, through the Gulf of St. Lawrence straight into the wall of Hydro-québec power, where it will be short-circuited? Then, as Mr. Vardy suggests, the island ratepayers will be stuck with higher electrical rates because of it.

Sure, the investors will make a killing, but not the average taxpayer.

To me, the most contentious issues are that there is nothing in it for Labrador, the environmental destruction and the social upheaval.

Nalcor made it perfectly clear there would be no power for Labrador from this project.

The environmental destruction will be the destroyed forest, drowned and creating methyl mercury, a neurotoxin which will last for over a hundred years.

When did any Labradorian ever poison your water, Ms. Dunderdale?

The Innu are promised first crack at the jobs. They will bring in outside contractors, who in turn will bring in their own workers. Other Labradorians will get only scrap jobs, if that.

The social problems will be enormous given the pressure of this fly-in and fly-out operation.

Labrador needs jobs from its resources that will build the territory, not destroy it.

The Environmental Review Panel wrote up some 70-plus recommendations — unless these are followed, there will not likely be any federal loan guarantees.

More money for the Newfoundland and Labrador taxpayer to pony up.

No, this so-called project is simply being done to replace Holyrood, which, as Mr. Vardy points out, could be replaced by looking at alternatives.

Alternatives were crushed by Nalcor from the very outset.

Some way must be found to stop this project from turning into something which looks like the Upper Churchill or the Sprung greenhouse disasters.

Given the provincial government mentality for disasters, this may not be possible.

James G. Learning Happy Valley-goose Bay

- 15 Nov 2011
- The Telegram (St. John's)
- Russell Wangersky Russell Wangersky is The Telegram's editorial page editor. Email: rwanger@thetelegram.com.

Clear as mud

Early last week, Nalcor Energy told the province's Public Utilities Board that it plans a few changes in its dealing with the board. The energy company is now going to have pointman Gilbert Bennett, a Nalcor vice-president, handle the PUB'S concerns. Nalcor also lawyered up, telling the PUB in the same Nov. 7 letter that they "also wish to advise the board that Nalcor has recently retained the services of Thomas J. O'reilly, Q.C. of the law firm, Cox and Palmer, as legal counsel in relation to the Muskrat Falls review process."

More interesting is that Nalcor has agreed to start releasing some of the project documentation that, until now, it has kept secret. Containing what Nalcor calls commercially sensitive material, the information has been filed with the PUB, but blocked from public release.

Now, however, the company will make more of that information available, saying, "We have begun to screen our confidential exhibits and to abridge or redact them to permit public release. ... We agree that completion of this process is important to facilitate public participation in the review process."

But just because the information is being redacted for release, that doesn't mean that whatever's left behind actually constitutes real information.

Take, for example, the budget estimate documents Nalcor filed concerning the possibility of the purchase of a 50 megawatt gas turbine: now, that should contain some fascinating information about generating electricity from natural gas. At least, it contains some fascinating redactions.

From: ***** To: Andreamacdonald@nlh.nl.ca Date: 07/06/2010 03:09 PM

Subject: RE: New Gas Turbine Plant Andrea, My apologies, I spoke too soon about the **** option, remembering after that we had been looking at using only liquid fuel for this facility. Unfortunately, I can't offer *** for use with liquid fuel. I've attached performance runs based on the site elevation used in our previous discussions for the ***** and ***** and ***** and *****. These can all achieve ***** NOX on liquid fuel using ***** for NOX control. The ***** feature will boost power output at ***** if that is what you desire, though as you see from the performance data there is also a *****. It would be advantageous to determine how often you think you would be using the **** feature, though it does offer a significant power boost at *****. If you have your latest fuel oil specifications, I can use that in the performance model to provide a more specific picture of the output and heat rate you can expect from these units.

The first available shipment for the ***** is ***** and the first available shipment for the ***** is ***** . The next availability is ***** for both (based on present orders).

The budgetary price is ***** (US) for the ***** and ***** (US) for the ***** .

***** adds approximately ***** to the price of the unit. These prices include ***** for NOX control. I can get ***** pricing, but would need to know what NOX emissions level you plan to achieve

Installation costs can certainly vary depending upon a number of things ***** . Total installed cost, ***** .

I'd be pleased to discuss this information with you and would also be happy to meet with you at your offices to discuss the latest ***** developments. Regards. ***** *****
***** ***** ***** ***** ***** ***** ***** *****

Not to put too fine a point on it: Nalcor has argued that natural gas isn't an acceptable option for providing power to the Northeast Avalon, and that Muskrat Falls is the best deal.

But, should you want to consider what kind of gas turbines they might be looking at, you can't know what they were considering buying, what it would cost, what kind of options it offered, what kind of scrubbers it has available, when it can be delivered, what kinds of special pricing are offered, what the total installed costs are, or, for that matter, what or who Nalcor was dealing with in the process.

- 15 Nov 2011
- The Telegram (St. John's)
- BY TREVOR SOOLEY Trevor Sooley writes from Paradise.

Muskrat Falls and peak oil

At the midpoint of the 20th century, the United States was an oil superpower. The lower 48 states were net oil exporters and with the outbreak of the Second World War, it was the U.S. that supplied the fuel to win the war. It seemed as if the ocean of oil in Texas would never run dry.

Year after year, there were more discoveries that added to the ever-growing reserves but a clever geologist at Shell Research Labs in Houston recognized a very important fact. Even though they continued to find new reservoirs, the amount that they were finding each year had peaked in the late 1930s. After that, fewer and fewer oil wells were discovered and this, he knew, would have startling consequences.

The Shell geologist was Marion K. Hubbert and he predicted that the U.S. would hit peak oil production in the late 1960s or early 1970s. He was able to make this prediction because he knew

that on average it takes 35 years to pump an oil well dry. So, in about 35 years, the large oil fields discovered in the 1930s would start to run dry and the amount of oil the U.S. could produce would start to decline. U.S. domestic oil production actually peaked in 1970 and has been decreasing ever since. Today, the U.S. imports 70 per cent of what it consumes, primarily from the Middle East. This 1970 turning point in U.S. oil production would be known as Hubbert's Peak — the trouble starts when you apply this theory to a global scale.

There are a number of agencies around the world that look closely at world oil reserves and they all agree that world oil discoveries peaked in the mid 1960s. As a result, a world production peak would occur around the mid 1990s. But the peak was pushed back by the OPEC oil embargo of the late 1970s and the development of new technologies that have allowed us to extract oil at an even faster rate. Most experts now agree that the peak will happen sometime within the next decade. When the U.S. peaked in 1970, it had no impact on consumption, because the shortfall was covered by oil fields in Saudi Arabia. When world oil peaks there will be very few options; even if we discover oil at the North Pole, we will never be able to increase production to meet demand.

The U.S. Department of Energy (DOE) commissioned a study on peak oil and its dire consequences in 2005. The Hirsch report, named after its author Dr. Robert Hirsch, warned of an impending U.S. and world energy crisis due to oil depletion. He explains that oil is the lifeblood of modern civilization. It makes things like modern industry, transportation, agriculture and medicine possible. The peaking of oil will be the greatest single crisis that modern industrial society has ever faced. The report was buried by the DOE, whose officials voiced concern that the American public was not ready to face the sobering conclusions. Dr. Hirsch spoke before Congress in 2005 and concluded by saying, "Governments worldwide will have to take the initiative on a timely basis, and it may already be too late to avoid considerable discomfort or worse. Countries that dawdle will suffer from lost opportunities, because in every crisis, there are always opportunities for those that act decisively."

Muskrat Falls must be developed now. To delay will result in a missed opportunity of such magnitude that it could have serious repercussions to our ability to sustain our economy through the coming decades. Every week I read the articles and I listen to the petty banter of politicians and commentators arguing the minutia of the Muskrat Falls deal. Everyone seems to be chronically shortsighted and ignorant to the reality that we will face in the coming decades.

I feel as if I'm listening to children squabbling over pebbles on the shore as a tsunami approaches on the horizon. We need to step back and look at the big picture of energy security. Not doing so could result in us being so far underwater that the construction of a dam would have seemed like a very good idea indeed.

- 5 Nov 2011
- The Telegram (St. John's)
- BY DAVE RANDELL
- Dave Randell writes from Mount Pearl.

I didn't vote for that

I have recently heard, and read, that anyone who voted PC in the past election has, by so doing, given the current government carte blanche to proceed with the Muskrat Falls development.

Now, my vote has generally been for the person who I felt to be most capable of representing me, in the House and otherwise.

I have yet to see a political party that has adequately represented me on every single issue or one that hasn't made any number of missteps in carrying out its responsibilities. Yet it would seem that there are those more fortunate who have found such a party.

People checking out

Alternatively, it may be that some people find it more convenient and less burdensome to allow their party to do all their thinking for them.

I am neither for nor against the Nalcor project, and it may be that we should proceed with it.

Yet it is difficult to comprehend how anyone can choose to ignore the considerable correspondence and discussion about the Muskrat Falls project, and the various concerns raised therein, without demanding to know more.

To turn a blind eye to the asserted competitive advantage of shale gas, or the enormous cost overruns of virtually all major projects over the last several years is inviting the ghosts of the Upper Churchill.

The government and Nalcor have told us that the Muskrat Falls development is the best alternative for our province and Nalcor has found a consultant who is willing to agree.

Nevertheless, it would be shortsighted indeed if we allowed that to bring an end to the debate and evaluation of such an important and costly undertaking.

Harsh lessons from the past

We are today living with the benefits (to Quebec) of being informed, half a century ago, of the best alternative at that time.

Undoubtedly, any naysayers were appropriately ignored during the Smallwood era as well. Apparently, we still have not learned our lesson. And the old adage “Fool me once, shame on you; fool me twice, shame on me” is falling on deaf ears.

The \$6.2 billion cost for Muskrat Falls was not the one and only result of the Nalcor projections.

Any forecasting of future results will under normal circumstances yield a range of possible outcomes, and one of those is selected as the most likely.

If you are trying to promote a project, you will probably select somewhere between the mid-range and the best case scenario.

From the perspective of someone who is going to be expected to invest in Muskrat Falls, whether I want to or not, it would be informative to know what Nalcor’s range of potential outcomes involved, as well as what their worst case scenario showed, considering that Nalcor’s chosen position is “no great shakes” as it currently stands.

Before we, as a province, commit to the possibility of subsidizing others for years to come, we should be entitled to a full and open debate on the subject, as well as an open vote thereon.

Limiting disclosure

At a time in our history when we are most at risk in terms of gambling our future on a project that has not yet been proven to be anything better than a second Upper Churchill, we have elected a government that is unwilling to allow full disclosure to those who will pay for it.

The closure of the House of Assembly is appalling.

The perception is that the government is unwilling or unable to defend the project.

If Muskrat Falls fails, Quebec will most certainly hold all of the cards, we will no longer be in a position to undertake any other developments ourselves and that particular situation will not come to an end in 2041.

Government has indicated that the House remains closed because there is no pending legislation and that the House is too dysfunctional to achieve anything of significance when it is open.

Doesn’t the government control what happens in the House, and how it functions?

Bearing in mind its “dysfunctionality,” should we ever expect the House to open again?

All fixed?

For our government to say that there is no pending legislation or need for open debate is to say that our province is functioning perfectly, that all of our legislation is completely in tune with that of the other provinces and the federal government, that we are incapable of creating anything

new or insightful, that our fishery is operating just the way we like it and we have no problems with those who would destroy it without a second thought.

It is also to say that our educational system is among the best in the country and is providing the best of opportunities for our children's future endeavours, that the closures and cutbacks in federal facilities are perfectly acceptable, that the urban-rural divide is not worthy of our attention, that the plight of the rural communities will have no impact on the character of our province or its appeal to others, that Labrador should be satisfied now that our province is officially Newfoundland and Labrador.

Further, it is to say that current business legislation is exactly where we want and need it to be in order to compete on a global basis, that escalating drugs and crime are a normal and justifiable cost of becoming a "have" province, that the justice system cannot be improved upon, that "no more giveaways" doesn't really have to mean no more giveaways, and that we deserve no more and no less than what the government is currently providing for us.

No, however I may have voted, I did not vote for this.

- 5 Nov 2011
- The Telegram (St. John's)
- BY BERNARD BRAKE
- Bernard Brake writes from Spanish Room.

Who will pay?

I want to express my frustration and concern regarding Premier Kathy Dunderdale's obsession with the Muskrat Falls development. It really seems to be her main objective as premier of our province. For her, and for people that are making six-digit salaries or close to it, I guess it's OK. For seniors and fixed income persons that make up most of our population, it's going to be a real nightmare. I figure it will give them one of two choices — either freeze to death or starve.

The premier has stated that, over the next four or five years, our electricity rates will almost double, regardless of the Muskrat development. Why the premier is making this prediction is what really puzzles me. Since 1990, electricity rates have increased 66 per cent or an average of three per cent per year. Since 1998, it has increased 45 per cent or an average of 2.7 per cent per year. That's a downward trend in my calculation. Even if the rates triple upward, the rate will be far from doubling in the next five years. Our economists have predictions that don't come anywhere near Premier Dunderdale's.

To me, the reason for our premier to be making such statements are to ease the shock of the amount we'll have to be paying for developing Muskrat Falls, and that's using today's estimates of the cost without the definite overruns that there will surely be.

We see a lot of our seniors out around our malls, especially in winter. The main reason for this is because it's the only place they can enjoy warmth for a while. Even at today's rates, with the cost of living increasing so much, they just can't afford to turn up the heat for comfort. I just can't imagine what will happen to those poor people if our electricity almost doubles. I ask you, Premier Dunderdale — have you thought of this at all when considering the Muskrat Falls development? This is a fact of life and it's way more important than developing Muskrat Falls. From what I understand about it, the biggest winners of this development will be Nova Scotians.

As I stated earlier, the majority of our province's people are seniors and persons on fixed income. If those are the people who have to pay for developing Muskrat Falls, then it's best to flow as it is. I, as a senior, want no part of it and I urge our premier to look at all the disadvantages it will cause before she proceeds with the development.

There has to be an alternate and cheaper way of getting green power that will be just as great as Muskrat Falls. I am sure that the 11 per cent or so of the power demand made up by Holyrood could easily be obtained by wind and solar power, as it is in other parts of the world. By the time the average Newfoundland household starts reaping any rewards from the development of Muskrat Falls, we'll be able to renegotiate the Upper Churchill contract with Quebec and receive our rightful share of that wealth at no cost at all.

Premier Dunderdale has already mentioned that she'll surely be interested in running for another term in office. Unless she comes up with a plan that's better than the one she has regarding Muskrat Falls and our electricity rates, I'll certainly be doing my utmost to persuade people to see that her government will not be winning another election. Her present plan will mean nothing but hardship or starvation for seniors and all other people on fixed income, and I'm sure we won't forget.

By others I mean people on social assistance and those working for low wages. None of these people will be able to afford the increase that our premier is forecasting in our electricity rates. In my opinion, the only thing that will cause such an increase in our rates is the Muskrat Falls development. We'll be paying for it if it goes ahead.

I urge all people to take this very seriously and speak out against it, before it's too late. Contact your MHA, your premier, open-line shows, and any other media to show your discontent. You are the ones who will be paying for it. You are the ones who will suffer because of it. If the poorest people of this province have to pay for the cost of this development, while the people of another province reap the benefits, then it's best left alone. We can survive better without it. Please take this seriously, people.

- 5 Nov 2011
- The Telegram (St. John's)
- Randy Simms
- Randy Simms is host of VOICM/CFCB'S "Open Line." He can be reached at rsimms@nf.sympatico.ca.

Let MHAS have their say on Muskrat Falls

It's no lie to say that time flies. Here we are in November already and the year is just about done. Back on Nov. 18th of last year, Premier Danny Williams was signing off on a term sheet with Emera Energy of Nova Scotia to develop what he called the Lower Churchill. There have been a lot of changes since.

Williams is out of office, replaced by Kathy Dunderdale. Shawn Skinner, the man who took over from Dunderdale at Natural Resources, is gone as well. The new guy in that portfolio is former health minister Jerome Kennedy.

Since the signing of the term sheet, three different ministers have carried the ball on this file. That has to slow things down.

The recent provincial election bolstered the opposition. The NDP finally gained party status in the legislature with five members and the Liberals managed to hold on to official opposition thanks to an increase in their ranks from four to six. Adding more opposition voices to the House means stronger debates and even more inquiry on this deal.

The only thing left is to allow MHAS to have the final say — they should get to vote on it. Dunderdale says no.

Last year, when the ceremonial signing of the term sheet took place, the provincial government issued a news release proclaiming, "Lower Churchill project to become a reality." The government seems determined to make it so. Granted, it's not the Lower Churchill as most of us envisioned it. The big moneymaker, Gull Island, is simply referred to these days as Phase 2.

The euphoria that followed the signing quickly faded and not long after Williams left office people started asking questions. Fears about higher heating bills for home owners and the spectre of our neighbours in Nova Scotia getting power at reduced rates has done much to dampen enthusiasm for the project.

Despite the concerns, the province is moving forward and plans to sanction Muskrat sometime this spring.

The formal agreement between Emera and Nalcor is to be completed by Nov. 30. I doubt if there is any consequence attached to missing that deadline. According to Minister Kennedy, there is a lot of work to be done.

“There will be some legal agreements put in place that will deal with everything from governance matters to operation and maintenance agreements,” he says.

That is being carried out by Nalcor and Emera. He will not be directly involved in the talks though he says he will be briefed.

There is another issue in play, as well.

In an effort to convince us that Muskrat is the most inexpensive option for power, the government enlisted the Public Utilities Board to study it. The PUB hired a Manitoba firm to do the research. The study was to be completed by the end of December.

It turns out that this deadline will be missed because the PUB needs more time. Apparently, Nalcor has been slow in providing information. The PUB is not happy and even wrote a letter to the government accusing Nalcor of dragging its feet.

Kennedy says he will give the PUB all the time it needs and says the job has to be done right. He certainly doesn't want to be blindsided by the PUB like Skinner was when the Environmental Review Panel expressed the opinion that not enough work had been done to determine if the project really was the cheapest option.

Winter is coming and the House of Assembly won't be debating this matter until spring. As we have seen, a lot of things can change in a short time, but if things stay on course the MHAS will actually debate the merits of the deal. But the debate is for show and has no purpose if the members can't vote.

Dunderdale says the House of Assembly will not decide if the project is sanctioned. Only her cabinet will get to do that.

I wonder if one of those Occupy movements could bring about a change of heart. After all, the government has a pretty safe majority. Why not let MHAS vote?

- 28 Oct 2011
- The Telegram (St. John's)
- Fred Carter St. John's

To be Frank

So, Kathy Dunderdale is all set to do it her way, eh? We've got another case of Frank Sinatra on our hands, I think!

It's strange how power pumps up people in different ways; I can't seem to get my head around this situation.

We can all remember before the election how we were deluged with announcements of 40 or 50 fairly massive and expensive projects which were to be undertaken in different areas, shamefacedly using our tax dollars as an election “come-all-ye” to further their chances of re-election. How stupid does she think the electorate are, not to see through these blatant tactics?

Ms. Dunderdale was quite vocal in defending these proposed projects as being required and necessary, but during the election campaign was very close-mouthed when questioned about the massive Muskrat Falls fiasco, and the intentions of government concerning the future and importance of our fishing industry. It didn't take long to find out.

Despite the fact that it has been made known publicly that the plan for the Muskrat Falls project is to “blunder” ahead at a considerable cost to us and our future generations without having a guaranteed customer base for the purchase of the generated power, there is no sign of her slowing down and considering the serious consequences of going ahead with it. Lately, even Nova Scotians are questioning the viability of this undertaking.

Nevertheless, Ms. Dunderdale has decided that when (and that's debatable) the House of Assembly opens, she will allow the issue to be discussed, but that there will be no vote on it.

What's going on here? I thought we just elected 48 members to the House to discuss and make decisions on our behalf in all matters of concern, but it appears, at least, that government members have been put in their places and told to toe the line. They can't be all of the same mind as Kathy Dunderdale can they?

Unfortunately, we had our opportunity to elect a stronger opposition, but now we have four years to wait to institute changes. It will be long coming.

- 27 Oct 2011
- The Telegram (St. John's)

Why Harper loves Muskrat Falls

With the Progressive Conservative win in the provincial election, there is no turning back. Muskrat Falls will go ahead as soon as possible and the PCS will claim their win was a vote of confidence for the project.

With four years to play with electricity rates, they can ensure that they rise as far as necessary to make this project look good.

I was thinking about why Stephen Harper loves this project. On the surface, he seems to be rewarding an area that hasn't been good to him in the last two elections, but maybe there are more devious reasons for his support:

1. He can brag about how his government is supporting green energy without spending a dime — only cosigning for a loan.
2. His one MP from this province gets a huge influx of jobs and spending in his district.
3. Peter Mackay's province gets a great gift.
4. Until the loan guarantee is signed, the Newfoundland and Labrador government will have to stay in line.
5. The project will ultimately put the screws to the people of this province.

Talk about sweet revenge. L. M. Knight Gander

- 26 Oct 2011
- The Telegram (St. John's)
- L.M. Knight Gander

Muskrat Falls — where's our saviour?

Does anyone recall a couple of years ago when then premier Danny Williams became so compassionate and was deeply concerned about the people of New Brunswick's welfare?

I'm referring, of course, to the deal between the New Brunswick government and Hydro-Québec that would have seen Hydro-Québec take over major portions of the power grid and transmission facilities in New Brunswick.

Remember how Danny singlehandedly ran a campaign that practically caused the cancellation of that deal and contributed greatly to the fall of the New Brunswick government?

Isn't it sad that he didn't show the same compassion for the people of Newfoundland and Labrador when he and Nalcor signed the deal with Emera and Nova Scotia last year that will see us pay the shot for Muskrat Falls, and likely doubling our electricity prices while sending the same power across the gulf for half that price?

Isn't it also sad that we don't have a saviour (like the New Brunswick people had in Danny) who could spearhead the same type of campaign to stop this project from going ahead?

- 22 Oct 2011
- The Telegram (St. John's)
- BY PATRICK O'FLAHERTY
- Patrick O'flaherty's latest book is "Leaving the Past Behind: Newfoundland History from 1934."

Muskrat Falls and the Quebec stranglehold

The recent election seems to have done nothing to alleviate public worry over the Muskrat Falls deal that the Williams administration worked out with the Nova Scotia power authority Emera Inc. in November 2010. Opposition to the deal persists. Arguments against it are cogent.

The development will add considerably to the public debt, drive up electricity costs to local consumers and damage the environment. Nor is it clear that the province actually needs the extra power Muskrat Falls will supply.

Former Liberal cabinet minister W.R. Callahan asked: "Why did Danny Williams, as premier, inflict this miserable business on the rest of us, even as he bailed out of responsibility for seeing it through?" The truth seems to be that he was driven to it. If he was going to get Muskrat Falls developed, the only way to do it was the one he chose. He'd tried to get the Quebec government to allow the "wheeling" of Muskrat Falls power through its transmission lines to the U.S. and Canadian markets. Quebec said no, evidently rebuffing whatever concessions and overtures were made. At the signing ceremony with Nova Scotia, Williams stated that "Today we sign an agreement ... that is free of the geographic stranglehold which Quebec has had (on Newfoundland) for far too long. ... Quebec will no longer determine the fate of Newfoundland and Labrador."

It's been almost a year since the deal was signed. "Muskrat Falls will proceed," Premier Kathy Dunderdale said in February 2011. She now says the deal will be debated in the Assembly once it opens, but won't be put to a vote. The only sure way to stop or delay it would have been to defeat the PCs on Oct. 11, or reduce them to minority status in the House. Instead, they got a big majority. It's full steam ahead.

Let's consider what is now going to happen. We will shortly see the beginning of a massive project, one that rivals in size the construction of the railway in the 19th century and of the Hibernia platform in the 20th.

A transmission line will be put in place, extending from the Lower Churchill river site to the Strait of Belle Isle, by underwater cable across that Strait, down 750 kilometres along the island's Northern Peninsula and west coast to Cabot Strait, and by underwater cable across that Strait to Nova Scotia. It will be enormously expensive. The cost estimate I have seen is \$6.2 billion, but who knows what the actual figure will be?

Think of the impediments to construction the engineers and other workers will face as they head down the eastern side of the Northern Peninsula, surely one of the most rugged environments in North America. And what of the challenge and expense of putting a cable across the Strait of Belle Isle, supposing it can be done at all? \$6.2 billion? How about double that, or triple? If it stays at \$6.2 billion, which is unlikely, it will still be onequarter the cost of the U.S. Apollo program that landed men on the moon.

It is utterly preposterous that we (and Nova Scotia) have to undertake this hugely expensive enterprise, located as we are, not next door to Russia or China, but within the Canadian federation!

In an ordinary country we'd be able to hook up to the available transmission lines that go from our region overland to our neighbours. There is such a transmission line from Labrador into Canada and the U.S., but we can't use it. We have to take a costly roundabout route, underwater and through wilderness terrain, to tiptoe around the sensitivities of Quebec.

Don Jamieson and other confederates used to describe Canada as a "family" where the older, richer provinces looked after the smaller, more vulnerable ones, much as well-off brothers and sisters look after poorer-off siblings and cousins. But this family has a big bully in it. And we are stuck next to it. Quebec's chief (maybe only) interest in Newfoundland has been to extract its wealth, and if the people here have to be robbed blind as a consequence, or forced to risk bankruptcy to get our resources to market, so be it.

But this isn't the only difficulty Newfoundland faces. The federation itself is so constructed and so delicately balanced, that Quebec will always trump Newfoundland in Ottawa. The government, Supreme Court, the National Energy Board, national media, even Parliament — all tilt towards Quebec, which has a "special place" in Canada as one of the founding peoples. All tremble and bend the knee when Quebec throws a fit. We are very small potatoes in the power structure.

This situation is not likely to change in the decades ahead. Despite what Danny Williams said, the Quebec stranglehold has not been broken. We have to think long and hard about it as we look to the future.

- 22 Oct 2011
- The Telegram (St. John's)
- Bob Wakeham
- Bob Wakeham has spent more than 30 years as a journalist in Newfoundland and Labrador. He can be reached by email at bwakeham@nl.rogers.com.

Danny could pull it off; Kathy can't

You couldn't help but get the sense that the first eight months or so of Kathy Dunderdale's time on Confederation Building's eighth floor amounted to a feeling-out time for Newfoundlanders, a

dating period, a chance to get some initial, preliminary goods on the blind date who had been suddenly anointed by King Daniel as the Homecoming Queen.

It wasn't an all-out, Liz-and-Richard, passionate love affair, for sure, (neither the baymen nor the townies knew her well enough to even think about getting to first base), but the scraps were few and the voters seemed willing to take the next step, go steady for a while and have a gander at what Cupid Dan had lined up as his replacement.

And not having found a great deal to dislike about their new partner on the hill (and with little or no "Dating Game" alternative), Newfoundlanders decided to say "we do" on election night, and accepted Dunderdale's vows and promises to validate their choice.

But in a flash, the easy times appear over.

The honeymoon has been brought to a crashing halt by Dunderdale herself, tripping awkwardly over her wedding dress by announcing to her faithful (and even to those thinking of joining the congregation) that she was going to rest on her arse of power for the time being, thank you very much, and avoid the House of Assembly until next spring.

And if that note of arrogance didn't supply sufficient firepower to torch the honeymoon suite, she displayed a strange and paradoxical approach to Muskrat Falls by promising on one hand that a full debate would take place in the legislature on the controversial project, but that, on the other hand, there would be no vote, no way for Newfoundlanders and/or their representatives to have an official say in what is being touted as a godsend for the province's future energy requirements.

(A poor and immensely cheap attempt at comic relief here, and an admittedly enormous quantum leap, one dealing with shattered relationships: I read recently about one of the wackiest and briefest marriages of a public nature ever recorded, one that actually ended during the honeymoon, a strange union between the immensely unattractive actor Ernest Borgnine — he of McHale's Navy fame — and the rotund Broadway singer Ethel Merman who could shatter mirrors with her version of "There's No Business Like Show Business." Ernie and Ethel lasted 32 days, and their split came about, at least in part, according to reports that emerged years later, because she was upset by his penchant for breaking wind in the bed and then holding her under the covers. And there were some who said it wouldn't last...)

Getting back to more serious but equally smelly business here in Newfoundland: Dunderdale can do all the spin-doctoring in the world, the kind that would make Elizabeth Matthews proud, and can argue, as she might, that some of her ministers have to familiarize themselves with new portfolios and that time is required to prepare a legislative agenda.

But few will buy that lame argument.

Sure, the legislature can be a circus act at times, but it's the place where government is most accountable, where both the opposition and the media have access to ministers on a daily basis, where an administration's feet can be put to the fire, where they often belong and deserve to be singed.

Danny Williams treated the legislature with detachment, as well, but everyone and his dog Rover loved old Dan (or were intimidated by him as if he was a pit bull, the kind that was violently patrolling the old Corner Tavern neighbourhood in St. John's last week).

He could afford to act as was Fidel of the North.

Dunderdale doesn't have luxury.

And then we have this highly questionable approach to the debate over Muskrat Falls, an approach that's certainly put a chill on the idealistic warmth that permeated the early Dunderdale/public rapport.

What's the use of a debate, of asking questions, of even having them answered, people are wondering, understandably so, if there's no vote when all is said and done? Doesn't that render the debate absolutely irrelevant?

Not only should there obviously be a vote, most rational-thinking Newfoundlanders would conclude, but a free vote as well.

Say what you want about the American system, but at least there's room south of the border for party mavericks and rebels, politicians more than willing to dislodge themselves from the party shackles. Not here, though. If an MHA feels the Muskrat Falls deal is misguided, or if constituents tell him or her they're worried about its ramifications, the member still has to toe the party line. Solidarity, it's usually called. Silence of the lambs, I'd call it. You can almost hear Dunderdale's former honeymooners protesting: "Open the House, Madam Premier. Have a full debate on Muskrat Falls. And allow for a free and open vote."

If not, the divorce papers are being drawn up.

- 22 Oct 2011
- The Telegram (St. John's)
- Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Shifting ground

Last year's announcement meets this year's realities

Weeks ago, a provocative letter to the editor talked about the rapid change in energy markets as a result of the "shale gale," the huge expansion of U.S. natural gas production as a result of fuels from massive shale gas fields.

The letter had a simple thesis: things are changing quickly in the energy export industry, and the Muskrat Falls project should be considered in light of those changed baselines.

Now, support for that argument can be found in a very interesting place: in a report filed by the very consulting company that Nalcor hired to review its analysis of the Muskrat Falls project.

Other report

Interestingly, three days after Nalcor released consulting firm Navigant's study on the Muskrat Falls project, Navigant's American arm was delivering a much different energy analysis for a company that wants to ship liquified natural gas out of the United States — a report that says that shale gas exploration will provide 100 years' worth of phenomenally cheap gas that will replace many other sources of electrical power in the United States.

Abundant gas, Navigant says, will also make wind power and solar generation much more feasible by filling in the gaps when that renewable power is not available.

It's a very different view of what energy demand will do off this electrically isolated island.

The report was done for Dominion Cove Point LNG LP, and filed with the United States Department of Energy.

“Navigant projects that the overwhelming majority of growth in natural gas demand will come from the electric generation (EG) sector of the market. EG is expected to grow at an annual rate of 2.1 per cent through the study period, with a higher rate of 4.9 per cent through 2015. These expectations are based mainly on expected coal-fired power plant retirements.”

Interestingly, coal plant retirements have been cited as one of the reasons higher-priced Muskrat Falls power will find a market in the United States.

Gas advantages

Natural gas wouldn't just be cleaner than coal; under Navigant's forecast, it would be cheaper, too.

Navigant also talks about the fact that shale gas will not require the creation — and green-field construction costs — of a whole new infrastructure.

“Demand will also be supported by the existing pipeline network throughout North America. The delivery infrastructure for natural gas is mature and, with the exception of a few highly urban areas such as greater New York City, relatively cost-effective and quick to expand.”

The report is also quick to point out that natural gas is more environmentally friendly than coal, and that quick-fired gas turbines have an excellent fit with intermittent solar and wind power.

“Natural gas is also wellpositioned to support renewable generation. For the support of wind and solar generation, dispatchable gas-fired generation is ideal to ‘shape’ the output profile or support the intermittency of both these forms of renewable electric generation.”

Or, in more detail: “Gas demand growth in our forecasts is also supported by growth in the deployment of renewable electric generation. Gas, being transported continually in pipelines, is far more suited to respond in real time to intermittent generation from wind and photovoltaics than coal.

“Coal-to-liquids and coal-to-gas technologies still appear to be expensive and energy-intensive. Oil and its products are not seen as viable electric generation fuels in any circumstance due to price. ... While renewable technologies will improve and may be augmented by improved electrical storage, and coal technologies may also improve, Navigant’s opinion is that gas-fired generation will be the dominant mode of smoothing intermittent electric generation for the foreseeable future.”

Dollars and sense

But of all of the factors in the Navigant report, cost is the most interesting.

Navigant is forecasting that natural gas prices will hold steady right through 2040 at roughly US\$6.01 per million British thermal units, or MMBtu. That number rises to US\$6.83 per MMBtu in the case of extreme demand, with no new gas sources. (And 2040, you might remember, is just one year before rights to super-cheap power from the Upper Churchill revert to this province.)

In energy terms, US\$6.01 is roughly equivalent to oil at \$36 a barrel, or as Navigant puts it “well below oil prices.”

Current gas prices hover around US\$4 per MMBtu, while comparable oil prices are US\$15 MMBtu, or US\$91 per barrel. That kind of disparity makes natural gas more than attractive.

Now a caveat, I’m a journalist, not a mathematician or an economist. But if I’m reading energy unit conversion tables properly, converting US\$6 MMBtu natural gas to kilowatt hours brings the simple conversion rate to a cost of around US \$0.02 per kilowatt hour. Two cents a kilowatt hour. That’s admittedly only raw feedstock, without the capital costs and financing costs of building new gas turbines and without the inevitable losses of energy that occur in production and transmission — but, as Navigant points out, natural gasfired would be unlikely to need major new pipeline infrastructure. Or, for that matter, any new electrical transmission infrastructure.

You don’t have to get the power to market: it’s already there. (By comparison, Muskrat Falls power is pegged at 14.3 cents a kilowatt hour before transmission costs beyond Nova Scotia.)

Two different reports

Does that mean that Navigant’s Dominion Cove report is right and Navigant’s Muskrat Falls report is wrong?

No. The two energy reports are looking at vastly different markets, so it’s like comparing apples and oranges.

The problem comes when part of what you want to do is to export oranges into an apple market.

Does it mean that Muskrat Falls is a bad project? The jury's out on that. What it does mean is that the energy landscape is changing incredibly quickly, and that assumptions made even a year ago may not hold true any longer.

There's a campaign in Nova Scotia to get out of the Muskrat deal in favour of cheaper hydro power from Quebec. Likewise, if the U.S. has so much shale gas it can export huge volumes of liquified natural gas, it might even be able to export electrical power.

One thing's for sure. The way the deal is structured now, consumers in Newfoundland and Labrador will pay to build Muskrat Falls, and will pay the interest on money borrowed to build it.

World capital markets are in flux, and energy markets are extremely fluid. American researchers are saying shale gas gives their country the opportunity to regain its own energy security — producing its own power internally at competitive prices and shedding its dependence on foreign sources. And, they're saying, for America, that's a very good thing.

As far as consumers on this island are concerned, a power corridor to the rest of North America may not make us any less isolated than we already are. If we do it, we're still going it alone. Paying for it alone, too, and therefore through the nose.

- 20 Oct 2011
- The Telegram (St. John's)

Playing fast and loose with politics

There are things happening in our province, in our community that should not go unremarked.

The election of Kathy Dunderdale as premier, while a historic first, does not mean the dawning of a new political era or day. She has been leading the province since Danny Williams stepped aside and pretty well ran the show while he was in the U.S. for surgery and during his recovery. She has been in charge long enough for us to have a feel for what she will and will not do.

I don't for a moment buy into the notion that because her party won the last election that it somehow blesses her with skills and insight which I don't believe for a moment she possesses.

For example, there is much being said about her attitude towards the House of Assembly and the apparent unimportance it has in her vision of government. While there is much gnashing of teeth and derision from all quarters about her unfortunate stand, these same folks are being totally disingenuous.

Our premier has been in the governing party for most of the last decade.

She cut her political teeth watching and aiding Danny Williams as he, year in and year out, seemed to open the House no more than was absolutely necessary.

My belief is that the current premier believes that is the appropriate way to run a government. And she is not alone. Her friend in Ottawa, Stephen Harper, has total contempt for the parliamentary system and it should surprise no one that she would wish to emulate him.

Furthermore, she claims that she has — that her government has — some kind of mandate to pursue the development of Muskrat Falls on the Lower Churchill River.

In my view, she has no such thing. I am told and believe that it will be a very expensive boondoggle. We will pay through the nose for power and pay even more to finance the debt that must arise from the development. All that while the good citizens of Nova Scotia will enjoy cheaper rates for power.

If she is as sure of her position as she claims, then she should have no hesitation in calling a referendum on the issue. I believe it is that important. I also understand that referenda can be one of the most divisive tools in the democratic arsenal but she should not be afraid to take it to the people as a standalone issue. What would be really gutsy is if she puts her political future on the line, i.e., if you don't give me the majority required — 51 per cent — I walk.

She won't do any such thing, but many, including myself, feel that the Muskrat Falls issue is just that important. She tells us she has the mandate. I say, let us see the numbers. Wayne Norman St. John's

- 20 Oct 2011
- The Telegram (St. John's)

Then and now

So, what's changed? In May and June 2002, it was an outrage to the Conservatives. Now, it's simply doing business. Shortly after the most recent election, new Premier Kathy Dunderdale said there would be a debate on the Muskrat Falls project in the House of Assembly, but that a vote on the project "is not where my head is." The debate would be sometime in the spring session.

Dunderdale has already said there won't be a fall session in the House, even though a final Muskrat Falls deal is supposed to be reached by Nov. 18.

The comments below are from then-opposition leader Danny Williams in the House of Assembly, complaining that Roger Grimes' government was unwilling to hold a debate — and a vote — on the final Voisey's Bay deal.

“On my way home last night, as I bounced along in my truck on the poor roads in the district — actually, I nearly went off the road a couple of times. I did hear that the premier was about to announce that there would be a debate on Voisey’s Bay in the House of Assembly. Mr. Speaker, I honestly cheered and said: ‘Yes. The people are finally going to have a say.’ That was my reaction. Shortly after, Mr. Speaker, a news report indicated that debate would only occur after the deal was done and after it became final and binding on the people of Newfoundland and Labrador,” Williams told the House. “My question for the premier is: why did he try to mislead the people into thinking that there was going to be a debate in this House on Voisey’s Bay that could actually influence the outcome of whether a deal would be signed or not, when in fact nothing is further from the truth?” It was a regular theme for Williams. “Mr. Speaker, my question is for the premier. Is he telling this House today, that the document that will be executed or will be agreed upon between Inco and the government of Newfoundland and Labrador will not be binding on the government of Newfoundland and Labrador and the people of Newfoundland and Labrador until after it is ratified by the House of Assembly? Because, if that is the case, that is exactly what I am saying and we have a deal. We are in agreement with the process,” Williams said. But that was not what Grimes would agree to. Williams again: “Will you put a clause in the agreement between yourselves and Inco that says that the entire agreement is subject to ratification by this House of Assembly? Will you put that clause in, yes or no? ... I ask you again, yes or no, premier? Will you put a ratification clause in the agreement that says that it is not legal and binding until it is voted upon by this legislature, the people’s courtroom, the people’s voice?” And again: “Mr. Speaker, communities and cities and towns and municipalities around our province are very concerned about ore leaving the province, and the refusal to debate the Voisey’s Bay deal before it is final and binding on the people of Newfoundland and Labrador.”

What can you take from it all? Maybe the nicest face you can put on it is do as we say, not as we do.

- 19 Oct 2011
- The Telegram (St. John’s)
- BY JAMES G. LEARNING James G. Learning writes from Happy Valley-goose Bay.

Labrador resources: a separate view

Well, the election did happen as we knew it would, it turned out as we knew it would, and the Labrador rollovers-and-play-deads behaved as we knew they would. Not one single surprise. The shadow of Danny Williams hovers around his haunts still. And worse — the Labrador voter, voting for an offshore government.

In reality, I know there is no good choice. Independence is not for the confused or people who feel they are not ready for responsibility, nor is it for the disconnected and divided, which the four groups in Labrador are.

That said, seeing what we are seeing by looking at the Labrador resource rape and plunder, by any and all who have the power to convince the Newfoundland government to issue them permits to do whatever (including the Newfoundland and Labrador government through Nalcor), is not a good thing for Labrador.

We can be happy, no, delighted, that the two-faced approach of former natural resources minister Shawn Skinner is gone.

There is no doubt he will be replaced by someone who will do exactly what is good for the party. The one constant is what is good for the party. This is very realistic in terms of fairness to the majority who elects the party, but not fair and farsighted in terms of what the wisdom of leadership should be.

In this case, the fairness and farsightedness should be to build Labrador from the ground up and stop avoiding the inevitable, that we will become a self-governing entity, be it territory or province.

We have the resources; building the infrastructure will attract the population. It will happen sooner or later. I want to see it sooner. Right. Good luck to me.

Never mind the cynical view. We are not talking separation, we are talking responsibility. If, in fact, we want our kids and grandkids to have a future at home, then we have to build a home. Nature in its grand design has given Labrador the resources to this, but the people have to stand up and take that responsibility.

I'm convinced the Lower Churchill Grand River fight is the beginning of this. I fully realize the powers of business and the one aboriginal group (as well as a few rollover Labradorians) are convinced the Muskrat Falls project is a good idea.

Who are the customers for this power that will make the project worthwhile? Answer: none.

Nalcor has to compete with HydroQuébec.

It looks as though Nova Scotians are beginning to see this power source as maybe not the cheapest one. Without facts and figures, I can't properly dispute this.

The most amateur economists among us can see the folly of that little trickle of power coming from the midAtlantic as a cheap solution to power for N.S. This bit of logic should get people about to be stiffed by this project up in arms.

Let me say it again: Nalcor can't compete with Hydro-Québec.

For Newfoundlanders, Labradorians and Nova Scotians to accept this is allowing themselves to be skinned by Nalcor and Emera. Yes, these companies will do fine. Why? Because taxpayers will be fleeced to make sure they do.

Remember, folks, this the very thing that is now bringing down the United States. Middle class and taxpayers foot the bill to feed the fat cats. As socialists, we have more control over these sort of scams. We still have a say.

So let's say no to Nalcor and yes to Labrador independence, and not kill a river system and poison the waters.

We don't need our pockets picked, nor more methyl mercury in our food chain.

If it's industry we want (and we do) let's leave the Labrador wilderness as clean as possible so Labradorians can enjoy and reap the profits of tourism along the mighty Grand (Churchill) River and not make this project a grand tax scam for politicians and jobs for the chosen few. We do not need the social upheaval either.

This project is not about profit — it's about tax skimming.

If, indeed, St. John's needs more power, then harness the wind.

Premier Kathy Dunderdale is wrong. This is not a good project for the average taxpayer.

We know the fight will go on. Let's make it a loud fight for Labrador independence.

- 15 Oct 2011
- The Telegram (St. John's)
- BY MAURICE E. ADAMS
- Maurice E. Adams writes from Paradise.

By the numbers

In his Oct. 4 letter to the editor ("Nalcor considered the alternatives"), Nalcor's vice-president in charge of the Muskrat Falls project, Gilbert Bennett, wrote that "at an average cost of \$102 per megawatt hour, the cost of building enough ... small hydro projects to meet the province's growing demand ... would be higher than the cost to develop Muskrat Falls."

First of all, let me reiterate, Nalcor's own documents show that there has been zero average growth in demand for the last 21 years. Furthermore, over the last six years demand has gone down, not up, and for our most recent six year period the island has experienced a total negative growth of 15 per cent, for an average negative growth of 2.5 per cent per year.

In addition, the province's population is expected to decline through to year 2025 (residential energy usage went down a further 95 gigawatt hours last year) and the demand from Vale's Long Harbour plant represents only 4.5 per cent (92 megawatts) of the island's existing installed net capacity of 1,958 megawatts (MW).

On average, the island has not used 33 per cent (630 MW) of its already existing installed net capacity of 1,958 MW for each of the last five years, and Vale's additional demand represents not only just 4.5 per cent of the island's existing net capacity, but represents only 14 per cent of our already existing yearly average of 630 unused MW of power.

How is it then that Nalcor keeps finding a way to say that demand is going up, when the numbers say that it is actually going down?

As to Mr. Bennett's claim that small hydro projects (at an average cost of \$102 per megawatt hour) would be higher than the cost to develop Muskrat Falls, I would remind readers that Premier Kathy Dunderdale was quoted in a Dec. 7, 2010 Telegram article as saying in the House of Assembly that in order "to bring power from Muskrat Falls ... we arrive at the sum of \$143 per megawatt hour."

Now taking into account that at this time we have no clear need for additional energy, and taking into account that even the premier's cost of \$143 per megawatt hour for Muskrat Falls power may be very low, especially if it has been arrived at based on the 824 MW per unit cost instead of a 330 MW per unit cost (the amount that Nalcor says we need), then our actual cost of Muskrat Falls power could be as high as \$400 per megawatt hour (40 cents/KWh), or even much higher if these costs have been "blended" with already existing, much cheaper island generation.

Other option

In any event, it seems to me that small island hydro at \$102 per megawatt hour (when funded and developed only as needed) makes more sense and is certainly a lot cheaper than \$400 per megawatt hour for Muskrat Falls power, and may even be less, according to my math, than Premier Dunderdale's own quoted cost of \$143 per megawatt hour.

Furthermore, for the period when we start paying off the Muskrat Falls project (year 2018) to year 2041 (the year when near-zero cost Upper Churchill power comes back to the province), and even though there will still be 25 years left on our Muskrat Falls mortgage, Newfoundland ratepayers will be contributing almost \$600 million per year to help finance and operate Muskrat Falls.

In comparison, (and based on the most recent 11-year average cost of oil for Holyrood) oil for the fully paid for Holyrood generating plant costs Newfoundland ratepayers an average of \$92 million/year (Muskrat Falls costing therefore six times more).

While Nalcor's cash flow model shows that Muskrat Falls "least cost" (?) power will cost Newfoundland ratepayers almost \$600 million per year up to year 2041 (or \$1.8 million per megawatt per year for our 330 MW of power), and about \$700 million per year even for the 25 years after the return of the nearzero cost Upper Churchill power — for Nova Scotians, power from Muskrat Falls will cost only about \$200,000 per megawatt per year (or between nine and 10 times less than the per unit cost for Newfoundland ratepayers).

Notwithstanding these facts, and even without adding unexpected cost overruns and borrowing cost increases, I would expect that Nalcor can still be relied on for at least one thing — to find a

way to continue to put forth the view that what will actually cost Newfoundland ratepayers a whole lot more (an unbelievable \$35 billion over the next 50 years), is still Newfoundland's "least cost option."

- 15 Oct 2011
- The Telegram (St. John's)
- BY J.F. COLLINS
- J.F. Collins is a former Progressive Conservative minister of finance for the province. He writes from St. John's.

Labrador power needs to meet different goals

Recently The Telegram published letters supporting Nalcor's Muskrat Falls proposal. While these are welcome additions to the ongoing vigorous debate, accuracies on some points are open to question.

Also, it is unfair to characterize contrary views (including The Telegram editor's) as "gratuitous" negativity, as some have done.

It needs emphasizing that Lower Churchill development per se is not seen as a problem. Rather, additional to unnecessary short-term pain, the issue is with present aspects of Nalcor's Muskrat Falls proposal not being consistent with the best possible use of these valuable provincial natural resources.

Making money

Nalcor's current objective clearly centres mainly on its own internal financial welfare; witness proposed sharp increases in local customer rates, mainland sales possibilities and claims of least-cost generation. Decidedly secondary are concerns about the environment and on safety speculation over possible weather-induced blackout calamities.

Misgivings that arise stem from a perceived need for Nalcor, instead, to focus pointedly on service to the Newfoundland and Labrador community, its presumed prima facie constituency. The concern is legitimate.

Perhaps the time has come, therefore, for critics to point out a more proper direction for Nalcor to take, a task the corporation itself had best undertake.

As an essential preliminary step, elected governments must set out policy whereby future hydropower developments fit integrally into a cogent plan of overall economic and social progress. The so-called 2005 "energy plan" does not serve.

At most, it is, in essence, a glossy public relations statement of intent.

Guidance for proper policy is provided by the frustrating Upper Churchill lesson. This technically successful venture clearly demonstrates that no large, expensive undertaking should be pursued in isolation with some distant hope that somehow mere existence ensures commensurate benefits, absent other integrated elements and aims. A part is decidedly not a whole.

Meantime, one welcome item in Nalcor's actual proposal, the Labrador-island linkage, is basic to any master plan.

Long overdue costs of a Labrador-island electrical inter-tie should be regarded as satisfying a vital infrastructure need for the economy, much as roads, ferries and the like are.

The master plan, however, must go much further. It should also clearly identify particular local power needs that need to be satisfied quickly.

It is insufficient merely to speculate, in partial or vague terms, on future demands, desirable though it may be. The Holyrood generating station closure alone cannot justify a make-or-break provincial investment.

What, then, are other real outstanding needs?

Of foremost concern, replacement of oil heating with electricity for the 50 per cent of older homes and businesses in the province needs active promotion, if only because occupants often include already hard-hit, lower-income citizens. Promptly instituted subsidy programs for this socially responsible purpose should help guide levels of new energy supply and transmission routes. Local refit manufacturing might be an associate aim. To be sure, environmental benefits ultimately would double a Holyrood return.

As well, in large measure, isolated (diesel and gas) energy generations should become things of the past. Planning particulars will impact development arrangements.

New industry

Of absolute importance is the promotion of new electricity-using industry in the province (either home-grown or imported). This needs serious attention. This urgent objective is quite unmatched by lackadaisical approaches taken to date by all administrations.

Industrial progress neither surfaces automatically nor is encouraged where local energy costs increase to unattractive levels consequent on premature hydro-power development yoked to out-of-province contracts — exactly Nalcor's current aim. "Cart before horse" situations should be abhorred.

Again, the province's transportation system needs rational policy review, aimed to employ electrification wherever possible. No economy thrives in absence of a railway system, efficient and rapid in modern terms. Low-density populated expanses like Newfoundland and Labrador and related stultifying factors must guide the nature and extend of new energy development.

Finally, no longer can Labrador be largely ignored in sharing direct benefits from major provincial asset planning.

These and other considerations demand a prominent place in government and Nalcor's strategic thinking.

The current Muskrat Falls proposal is not even a pale reflection of these thrusts. No doubt, there exist small-scale immediate power needs. These can be readily met by tapping existing power sources, best in Labrador, not by tying up a valuable asset such as the Lower Churchill.

- 15 Oct 2011
- The Telegram (St. John's)
- BY FRANCIS BUCKLE
- Archdeacon Francis Buckle calls Forteau and Topsail home.

What about the interests of Labradorians?

Prior to last spring's federal election, Todd Russell, then the Liberal member of Parliament for Labrador, circulated a petition to ascertain how his constituents felt about the proposed Muskrat Falls hydro development.

There were over 2,100 respondents, of whom only 12 per cent supported the project; 86 per cent of those surveyed expressed the view that Labrador would not receive a fair share of the revenues from the power sold.

The other concerns related to the environment, the heavy financial burden that would be placed on the province and the fact that Labrador communities would not be able to avail of the power generated.

Russell is to be congratulated for raising these and other issues, knowing only too well that he was putting his job on the line. He was fully aware that a sizeable portion of Labrador's population who have deep Newfoundland roots were in favour of the development, and that the provincial government, in its not-too-subtle way, had silenced the Innu who, in the past, had been among the strongest opponents to the hydro development on the Churchill River.

In the last several months, individuals and groups in both Labrador and Newfoundland have spoken out against this project for some of the same reasons Russell raised. He has been further vindicated by the recently released report of the Federal/Provincial Environmental Review Panel and its conclusion that "... Nalcor has not demonstrated the justification of the project."

There are other issues here from a Labradorian's point of view, much of it related to how Newfoundland has long viewed Labrador and its vast resources. Remember Premier Joey Smallwood's remarks at the official opening of Churchill Falls? "Its our river ... our land ... it's

Newfoundland's." That kind of mindset is deeply entrenched. Historian John Greene, himself a Newfoundlander, aptly describes Newfoundland's attitude to Labrador as myopic.

The problem — and it seems to be endemic — is that Newfoundland continues to view Labrador in a colonial fashion. You won't find it in any school textbook used in this province, but the fact is that Labradorians were not given the right to vote until 1949, and on two occasions Newfoundland offered to sell Labrador: in 1890 for \$9 million and in 1932 for \$100 million! Not much has changed, despite some window dressing.

My roots are deeply rooted in Labrador: Buckles settled in Forteau Bay towards the end of the 18th century.

Here I was raised and spent some 34 years in coastal, central and western Labrador as a parish priest with the Anglican Church, and am now retired.

I have been an avid student of Labrador history and have witnessed — with considerable sadness — how Labrador and its resources have been misused.

I oppose the Muskrat Falls project not only because it's another resource that will largely benefit others nor because of the inherent heavy debt load. Additionally, the environmental "footprints" of Muskrat Falls, if it proceeds, will be considerable, and I don't think this concern has received the attention it deserves. The flooding will have a substantial negative impact on the fish and wildlife habitat and introduce mercury into the food chain. Additionally, the preparation, placing and upkeep of the hydro lines across Labrador, the Straits of Belle Isle, Newfoundland and Cabot Strait will be considerable. In the end, one of nature's wonders will have been tamed and the world will be poorer because of it.

I hasten to add that the sentiments expressed in this letter are mine; to the best of my knowledge the Anglican Church in this province has not taken a stand on the Muskrat Falls development.

- 13 Oct 2011
- The Telegram (St. John's)

Moving ahead on Muskrat

Well, if there was ever any doubt about the government pushing ahead full steam with the Muskrat Falls hydro development, the premier erased all that line of thought in the leaders' debate on Sept. 28. And this project frightens the life out of me. Remember, this is no \$20-million Sprung Greenhouse. Neither is it (pardon the pun) a "drop in the bucket" undertaking. This is the whole \$4 billion? \$5 billion? \$6 billion? bucket. We're talking huge amounts of money — money which has to be borrowed — money which has to be paid back, dear taxpayers, by you and me.

The cost of living will rise substantially; not a very pleasant thought, is it?

Premier Kathy Dunderdale says she doesn't hear any concerns about developing Muskrat Falls. Are you saying this, premier, just to calm your own conscience? So that if things become one holy mess, then you will be able to say we — all of us — made one colossal blunder? If this is the case, Ms. Dunderdale, then it just won't wash. Unless you've insulated yourself from all forms of media in the last few months (and I'm sure this isn't so) then you are well aware of all the loopholes that informed voices have sounded about this project. Knowing this, and knowing that there just might be good reasons to pause and rethink the whole deal, why do you steadfastly insist on forging ahead?

I sincerely hope this won't turn out to be another Upper Churchill. However, it is possible that it might turn out to be a gigantic fiasco beyond imagination. Hopefully, this will not happen, but if it does, do not blame the Tories; do not blame Ms. Dunderdale; instead, put your hands way, way down in your pocket and pray that your resources will be sufficient to meet your needs. Then go look in the mirror.

Do you like what you see? George Martin Clarendville

- 13 Oct 2011
- The Telegram (St. John's)

More questions about energy

Cabot Martin provided yeoman service to the people of this province in his letter to the editor "Muskrat Falls and the changing face of energy" in the Sept. 17 Weekend Telegram.

In brief, Mr. Martin wrote of the rapid development of shale gas (the shale gale) as a cheap abundant fuel for electricity generation in the huge United States electrical energy market.

Then, about midway, he turns to his oil and gas business experience and knowledge of governments', albeit past ones, energy policy to point out "there are significant proven reserves of what are probably stranded conventional natural gas on the Grand Banks."

How clean is the natural gas offshore in comparison to the Bunker C oil now burnt at Nalcor's Holyrood generating station? What are the carbon dioxide levels and hydrogen sulphide levels? What are the hydrogen and nitrogen levels? What of the often present noble gases, helium and argon?

Can Nalcor's Holyrood plant be retooled to burn natural gas?

How clean is natural gas compared to a hydroelectric development at Muskrat Falls? What are the carbon dioxide and anticipated mercury levels from that project?

Can a propane-fired living/dining room fireplace (a common household appliance these days) be converted to burn natural gas? Can a central heating system for a house or small commercial building be changed from oil burner to gas burner?

In Edmonton, 30 years ago, some taxi fleets and parcel delivery company vehicles were fuelled by compressed natural gas. And in the North Saskatchewan River Valley between downtown and the University of Alberta, there was a large natural gas fired electricity generation plant and you would hardly notice its presence.

Premier Kathy Dunderdale, you are not beholden to any promise or policy of the past. Do not be rushed into anything by anyone.

Please take a good look at Muskrat Falls and what Cabot Martin has ably pointed out.

I am a longtime observer of the passing scene and at this juncture in our history, with a few dollars ahead when the bills are paid at the end of the year, what with debt still there from lean years of trying to make ends meet, what this province needs now is the common sense and memory of the hard times of the ant rather than the giddiness and let-the-good-times-roll attitude of the grasshopper. Tom Careen Placentia

- 11 Oct 2011
- The Telegram (St. John's)
- BY DENISE HENNEBURY Denise Hennebury is an environmental educator. She writes from Mount Pearl.

There has to be a better way

The election is today and I am quite tired of hearing the words “green energy” being thrown around as if there is anything “green” about the Muskrat Falls project. In fact, I am starting to get a little worried about the line between truth and convenience. Are we really so blind as to not see that there is a lot at stake here? Or is our government lying to us?

There are things more important than money, more important than saving or making a few extra dollars. In our own lives, money will come and go; it is our sense of place and belonging that endures well beyond the dollars and cents. Before humanity graced this Earth, it was the land and water and wind that changed the world; then we arrived because the conditions were ideal.

Now, we have already changed the world in irreversible ways. We can see this so clearly now, so why do we have to keep pushing our limits and challenging the Earth to let us keep going despite her?

We need to step back and learn to work with her: with the wind, with the water and with the land.

We are at a point in our history where we can stop a catastrophic loss in our beautiful province. The Muskrat Falls project will flood 41 square kilometres of land across a length of the river 51 kilometres in area.

This means that the lower section of Grand River/Churchill River will be elongated into a lake of 101 kilometres square that will be impassable to most wildlife.

If the trend continues and Gull Island is added to the mix, Labrador will practically be cut into two pieces with minimal north/south access.

Then we have to consider what the process releases into our environment. It will be difficult, if not impossible, to clear all the trees and brush from the flood plain and so this will produce a major release of carbon as the vegetation rots. This process will also create an increase in mercury levels, leaving the fish unsafe to eat for 20 years. Sure, this will slowly work out of the rivers, but it will stay in the food chain in the years to follow.

So don't tell me this is green energy. So many Newfoundlanders and Labradorians have accepted that this is a done deal, but I urge everyone to rethink this project. What I see happening here is greenwashing. This is when companies tell us all about the great environmental strides they are making, in order that we won't look deeper. The sad part is that sometimes they start believing it themselves. I don't know what would be worse: our government knowing better but lying to us, or the government being too naive to realize that they have been brainwashed as well.

Every form of energy has its challenges and it is commendable that the government is planning to shut down the oil-burning plants when this new energy comes online, because the burning of fossil fuels is certainly worse. But is this really a fair tradeoff? Is the damage being done going to offset the oil-burning plants, or by the time the net gain is realized, could we have made better choices and not destroyed Muskrat Falls?

I believe that we have the people, the innovation and the resources here in our province to come up with a better solution. This is not oil vs. hydro — we have the opportunity to try the latest and greatest technologies and see what will work.

Let's not assume that we cannot do this, let's take on the job of stewards of this province and aim first to do no harm.

Land, water and wind have shaped our world and shaped our province.

How can we harness the energy in these elements to work with the earth to meet our needs?

This is not wishful thinking. I believe that this is forward thinking.

Large hydro dams are not where the future is.

Wind power, small hydro, tidal power and geothermal are some of the options that we can explore (look at the wave snake in Portugal to name one). But we need the space and support to do just that. We need to encourage the research and then let testing begin.

We, as Newfoundlanders and Labradorians, need to tell our government that we want our children's children to know of our pristine wilderness and we want to respect the natural systems that support our land.

We cannot sit back and watch the rest of the Grand River/Churchill River be systematically obliterated.

I encourage you to read more about all sides of the project, read more about alternate energies and tell your candidate or tell your member that we need to look at this closer.

This may not decide the outcome of the election, but politics does not end on Tuesday.

We really do need to rethink the Muskrat Falls project.

8 October 2011

Learning from Past Mistakes

by G. C. Germain

Could not be transcribed

- 8 Oct 2011
- The Telegram (St. John's)
- BY RICHARD CASHIN, EDWARD HEARN AND DENNIS BROWNE
- Richard Cashin is a former member of Parliament, Edward Hearn is a former director of Newfoundland and Labrador Hydro, and Dennis Browne is a former consumer's representative at the provincial Public Utilities Board.

Muskrat Falls: neither needed nor affordable

The concept of Muskrat Falls is not new. In 1964, the AngloSaxon Route involved transmitting Churchill Falls power to the island using a submarine cable and a second submarine cable to carry the power to Nova Scotia to go overland to markets. This failed when Hydro-Québec entered into discussions to develop Churchill Falls.

In 1974, construction began on the land sections of a proposed 11-mile tunnel beneath the Strait of Belle Isle to carry transmission from Labrador to the island. In 1976, this work stopped. In 1978 further work was commenced on a transmission link between Labrador and Newfoundland.

By 1980, after expending \$12 million for the development, this was abandoned.

All previous attempts with Muskrat Falls or the entire Lower Churchill “Muskrat Falls and Gull Island” were abandoned because the province determined these were not financially feasible.

Long history

Newfoundland and Labrador Hydro has informed governments for over 30 years that it was uneconomic to bring Muskrat Falls power to the island.

Therefore, Muskrat Falls is an old concept which has proven time and again to be unsound financially. It is not new; it is not visionary.

The August 2011 Joint Review Panel (JRP), which was comprised of federal and provincial appointees, filed a report following an exhaustive study which included 30 days of public hearings in nine locations throughout the province.

The JRP heard from aboriginal communities, the proponents, and other interested parties. The JRP was a transparent process. The panel found that Nalcor had no known markets for Muskrat Falls power.

The JRP found that the need to bring Muskrat Falls power to the island had not been established and that there are alternate and economically viable and socially responsible ways to meet electricity demands on the island.

The Nalcor/Navigant consultation which followed the JRP lacked the transparency of the JRP.

Why government would endorse the non-transparent Nalcor consultation and discard the findings of the transparent JRP is troubling.

All of this should be of some concern to the people of the province.

The Electrical Power Control Act, 1994 (the “Act”) regulates this province’s electrical resources.

The Act requires that all sources and facilities for the production, transmission and distribution of the province’s power should be managed and operated in the manner that would result in reliable power being delivered to consumers in the province at the lowest possible cost.

The Muskrat Falls proponents do not address “the lowest possible cost” but have adopted language not to be found in legislation — “the least-cost option.”

The Act also requires that rates to be charged should be reasonable. Reasonable rates mean affordable electricity. After all, electricity is a necessity. Today we have some of the lowest rates in Eastern Canada. Furthermore, our rates have been stable historically.

Rates in 2007 and 2009 actually decreased, calling into question government’s assertion that rates increase annually from four per cent to seven per cent on average. That is not correct. Any resident can check their electric bills to uncover the facts.

Here is a residential rate sample based on monthly usage of 2,000 kWh.

Muskrat Falls will, in fact, destabilize our electricity rates by bringing these rates in excess of New York City prices of 19 cents/kWh. In the meantime, the rest of Atlantic Canada will be paying less.

It is troubling that government cannot provide an answer as to how much a kilowatt will cost after Muskrat Falls. On Feb. 25, 2011, Premier Kathy Dunderdale stated: “The project is not advanced enough at this point to determine with what degree of accuracy you are going to pay per kilowatt hour in 2017.” According to a CBC News article posted March 31, 2011: “New electricity from the planned Lower Churchill hydro development will come in at 14.3 ¢/kWh, the provincial government predicts.” In a subsequent Telegram interview, Premier Dunderdale has now concluded that the kilowatt cost could be as much as 16.5 cents per kilowatt hour. The fact of the matter is that the government does not know what a Muskrat Falls kilowatt will cost.

Cost overruns

Projects such as Muskrat Falls are known for cost overruns. The World Commission on Dams Report concludes that building dams have overruns on average of 56 per cent. The proposed Site C dam in northeastern British Columbia started at a \$3 billion cost estimate and on May 2011, the new price tag was almost \$8 billion. Historically there are cost overruns in projects built by both government and private industry. All cost overruns will be charged to your electricity bill because the government has stated that Muskrat Falls is to be paid for in the rates of Newfoundland Power’s 243,000 customers. Pensioners and others on fixed incomes, municipalities, fish plants, churches, stadiums and the oil refinery will all be burdened. Here is a sample of the possible residential monthly costs which could ensue following Muskrat Falls.

All this comes at a time in which our population growth is declining and aging. The burden of Muskrat Falls will be heavy on our taxpayers as well as our ratepayers. Here are some population figures.

The JRP report found that there were no known export markets for Muskrat Falls power. This is not surprising. Muskrat Falls power is far too expensive for any province or state to purchase. The governor of Vermont in a recent “Radio Noon” CBC interview advised that there is no corridor in the United States for the transmission of power from Muskrat Falls and there is no infrastructure to accept Muskrat power into the American market. The governor also stated that the price had to be right and was concerned that building would be taking place before these details were worked out. Quebec Year Population 1989.....576,000

1992.....	580,000	2000.....	527,000
2004.....	517,000	2015.....	520,000
2019.....	514,000	2025.....	513,000

has sold power to Vermont for 40 years. Quebec just recently concluded a contract with Vermont to sell electricity to that state for approximately 5.8 cents per kWh for the years 20122038. Muskrat Falls prices cannot compete with that.

One financial analyst has stated that the investment case for selling that power to New England is actually not looking very good, partly because it has more than enough natural gas — cheap natural gas — to meet its own electricity needs for the next decade, at least.

And the final report of the New Brunswick Energy Commission 2010-2011 has proposed natural gas as a viable option to meet the energy needs of the people of New Brunswick.

Private industry would never develop Muskrat Falls without having established markets prior to development. The Upper Churchill was built by private industry. If private industry will not build Muskrat Falls, why would government risk our taxes on such a venture?

And here are some other facts. In this province since 2006, over 85 per cent of our electricity has been produced by hydro and less than 13 per cent by the Holyrood generated station; approximately 2 per cent is now wind generated. Holyrood's oil consumption was 3,678,183 barrels in 2002. In 2010 this had decreased to 1,362,373 barrels. The Holyrood generating station has been completely paid for. Furthermore, the Holyrood generating station will be needed even with Muskrat Falls because it is our only backup generating system on the Avalon Peninsula.

As Nalcor has stated in a recent capital plan: "It is important to consider that whichever expansion scenario occurs, an isolated island electrical system or interconnected to the Lower Churchill via HVDC link, Holyrood will be an integral and vital component of the electrical system for decades to come."

Since 2004, electricity demand is down 15 per cent on the island. There has been negative electricity growth of -2 per cent over the last six years. Further, there is the whole issue of conservation. The state of Connecticut and the province of New Brunswick found that an aggressive approach to funding energy efficiency and conservation programs can achieve significant reductions in total energy use and peak demand. We have never undertaken an aggressive approach to conservation in this province. We have not adopted the Smart grid system which allows consumers greater information and options and improves existing electricity efficiencies. Given a choice between adopting conservation measures or increasing electricity rates, consumers will no doubt opt for conservation.

The government's focus seems to be on building for the unknown requirements of future generations — those who may or may not be living here after 2041 and beyond. However, our aging population is living here now. We have had low and stable electricity rates in this province for decades. This should continue. The people of our province are entitled to the lowest possible cost electricity rates. There are other economically viable options available should there be a need established for further electricity development on the island as noted by the JRP. The panel concluded that island demand did not warrant the development of Muskrat Falls.

The primary beneficiaries

And finally, who will be the primary beneficiaries of Muskrat Falls? While ratepayers in this province will have their electricity rates doubled, Nova Scotia customers will pay considerably less for electricity rates. Emera gets free power for 35 years. Emera will have 100 per cent ownership of the Maritime link for 35 years. Emera will have ownership of 29 per cent of the

Labrador/island link for up to 50 years. The government of Nova Scotia will not pay one cent for Muskrat Falls. It is the ratepayers of this province and our own taxpayers who will be subsidizing the rates for Nova Scotia's electricity users. The residents of this province have no obligation to pay our tax money to produce cheaper electricity for the people of Nova Scotia.

The need to develop Muskrat Falls has not been established. The need to keep electricity rates at the lowest possible cost, and therefore affordable for the people of our province, should be the government's priority.

- 6 Oct 2011
- The Telegram (St. John's)

Taxing offshore gas

Despite Premier Kathy Dunderdale's insistence that Muskrat Falls is not an issue of significance, in the long run it has the same financial significance for the province as Churchill Falls. Will we look back in 15 years and see a disaster?

I believe that we would all do well to reflect on Cabot Martin's assertion that we could solve the island's energy problems for one-tenth the cost with natural-gas-generated power.

Right now, gas is produced at our offshore fields, along with the oil. Some of this gas is re-injected for oil production. The excess is burned. Consider: the excess gas is a nonrenewable natural resource belonging to the people of the province that is being burned, not to say, squandered. Need I mention that this burning contributes to global warming with no useful return to society?

How could we convince the oil companies to bring the gas ashore to serve the electrical power generation needs of the province?

Tax, or collect royalties on, the fair market price of all gas burned at site.

Given the choice, collect a fair return on the gas by bringing it to shore, or simply paying a tax, what will they do? Well, nobody ever said oil companies weren't into maximizing profit. Herbert S. Gaskill Mount Pearl

- 6 Oct 2011
- The Telegram (St. John's)

Questions and power bills

Everyone seems to be missing the point. We (the ratepayers) will be paying 14.3 cents per kilowatt hour (kWh) for 800-plus megawatts (MW) of power 365 days a year. Holyrood only used 300 MW, at most, four months of the year, and some months, it doesn't use any. You could say it acts like a thermostat. Even if we had to pay 20 cents per kWh, it would only be for 300 MW part of the year, not 800-plus for the whole year.

Nalcor claims we will need 40 per cent of Muskrat Falls power, and Nalcor's Gilbert Bennett said in a letter on Oct. 4 that we will use 80 per cent of the power from Muskrat Falls by 2041.

There are so many questions to be answered before our government signs an agreement with Emera to give them 20 per cent of Muskrat Falls power for 35 years.

- Where is the future demand? (I could be sarcastic here and ask how many Sprung Greenhouses? But I won't be.)
- Is no money down and 50 years to pay really an investment?
- How much bunker C can you buy for \$337 million a year (the interest on \$4.5 billion at 7.5 per cent)?
- How much will my light bill increase, and does this include Newfoundland Power's markup?

These are only some of my concerns about Muskrat Falls. I started to worry when my electricity bill went up by 7.7 per cent. When Premier Kathy Dunderdale suggested I check my light bill, I did.

I have three Newfoundland Power bills in front of me:

- billing date Sept. 30, 1991, 6.432 cents per kWh;
- billing date June 21, 2011, 9.584 cents per kWh;

This is an increase of about 33 per cent in 20 years, or 1.5 per cent a year.

- billing date Aug. 23, 2011, 10.407 cents per kWh.

This is an increase of 7.7 per cent in one year. Until Muskrat Falls was proposed we didn't know about the impending crisis of a power shortage on the Rock. Coincidence or what? Gerry Goodman St. John's

- 30 Sep 2011
- The Telegram (St. John's)
- Brian Jones Brian Jones is a desk editor at The Telegram. He can be reached by email at bjones@thetelegram.com

Voting for another Upper Churchill

If you like the infamous Upper Churchill deal — which hands Quebec 95 cents of every dollar earned and Newfoundland (and Labrador), a mere nickel — then by all means express your support for the Muskrat Falls deal by voting Oct. 11 for the Progressive Conservatives.

This has become a one-issue election. Education and health care can be addressed — and spending adjusted — from year to year, but if Kathy Dunderdale and her PCs have their way, billions of taxpayers' dollars will be blown on a hydroelectric megaproject that will prove to be financial folly.

On the bright side, your children and grandchildren will be able to curse the “Upper Churchill” and “Lower Churchill” in one breath.

During Wednesday's televised leaders' debate, Dunderdale made clear she intends to spend public money to develop Muskrat Falls.

Strangely, and erroneously, Dunderdale referred to it as a government expenditure on “infrastructure.” It is no such thing. Roads and bridges are infrastructure. Water and sewer pipes are infrastructure. Schools and hospitals are infrastructure — although many politicians twist proper vocabulary and pander to their audience by referring to them as “investments.”

Muskrat Falls, properly defined, is an investment. Money will be spent with the expectation that more money will return as profit.

The long-lingering question about the Upper Churchill deal is how Newfoundland's negotiators could have been so foolish and shortsighted to overlook the effects of inflation.

The common explanation is that, in 1967, inflation was not a primary concern. The inflationary 1970s had not yet arrived.

Theirs was a basic failure: they didn't ask, “What if ...?” What if prices rise? What if the value of hydroelectricity increases?

There is a similar basic failure regarding the Muskrat Falls deal.

Most of the discussion has revolved around the assumptions and statistics of the Muskrat Falls deal. The numbers invariably differ, depending on who is presenting the argument: Newfoundlanders' (and Labradorians') power bills will increase, or they won't, or they won't increase as much as they would without the Muskrat Falls project; oil prices will continue their

unabated rise, or they won't; demand for power in Newfoundland will continue to increase, or it won't.

Objective facts — rather than subjective stats — are needed before the government spends \$4.4 billion on the project (the other \$1.8 billion will be spent by Nova Scotia energy company Emera).

Just as the proverbial alarm bells should have been ringing in 1967 over the possibility of inflation, they should be sounding now — loudly — over the source of that \$4.4 billion. It will be public money, via loans — i.e., debt.

It will not be private money, either from firms or individuals.

This leads to the fundamental question that must be asked: why weren't private investors willing to get involved in financing the Muskrat Falls hydroelectric project?

After all, when profits are likely, capitalists will be there as fast as blue on Tories.

Recall former premier Danny Williams' showdown with the Hebron consortium. The oil companies initially packed up in a huff, but they eventually came back. Why? There was money to be made.

But Williams couldn't find private investors willing to put money into Muskrat Falls. People should demand to know why not, and they should ask now rather than in 30 years, with three decades' worth of lamentation in between.

We know Fortis was invited to invest, and declined. Last spring, Fortis president and CEO Stan Marshall explained the company "will not get involved in minority situations with governments."

Perhaps there was an unstated corollary: "unless the profit margins justify it."

Does Muskrat Falls have a profit margin? Private investors didn't seem to think so. It will apparently take \$4.4 billion of taxpayers' money to find out.

- 29 Sep 2011
- The Telegram (St. John's)

Pop quiz

To hear Kathy Dunderdale make the case, the debate over Muskrat Falls is done and gone. "We have to find the cheapest way," she said Tuesday while campaigning on the west coast. "Muskrat Falls is that way unless somebody else is able to prove to us the analysis is flawed."

It's not a topic that Dunderdale says her candidates are hearing about at the door while they campaign.

That's strange: it's a project that will bring substantial new debt to the province, and is predicated on the idea that, from the outset, the project will be paid for by ratepayers in the province. It virtually enshrines electrical price increases of close to 40 per cent — or more — yet no one, according to Dunderdale, raises the issue.

Maybe it's because the electorate just doesn't have enough questions — it is a complex project, and numbers fly in all directions. So, here are a few options you can try on those political door-knockers, just to see if they know what they're talking about. Some of these are trick questions. Why? Because Nalcor, the provincial energy company, has already answered them publicly; with the information in the public domain, your candidate should have no problem answering them.

The Dunderdale government has argued that the price of power will go up by over 30 per cent either with Muskrat Falls or without it, based on Nalcor's examination of an ever-increasing electrical power demand and ever-increasing oil prices. What are oil prices forecast to do now? Are the numbers showing the same kind of increase as the numbers Nalcor was using in 2010, when the project was announced?

One of the quiet changes made by the Williams government in 2009 was to increase Newfoundland Hydro's rate of return to match that of Newfoundland Power — dramatically increasing the money Newfoundland Hydro (a Nalcor subsidiary) can take as profits on electricity sales, including sales of Muskrat Falls power to this province's consumers.

What will happen to Newfoundland Hydro's — and Nalcor's — expanded profits? Will they be used to bring rates down for average customers? If not, why not?

What will happen to the money if Nalcor sells export power — will all of that money be used to decrease rates to customers inside the province, will it be used to finance Nalcor's other ventures, or will it simply flow into general revenues, so that the government will decide where it will be used?

If Nalcor is a provincial Crown corporation and it expects to make additional profits from electrical customers, is there a difference (except in name) between those fees and there being a new tax on electricity?

If power users, faced with new, higher prices, actually go out and conserve power to try and hold the line on their bills, will power rates necessarily have to go even higher to balance Nalcor's books and pay for the fixed costs of Muskrat Falls? Can your candidate explain, at the door, how it is that cost overruns at Muskrat Falls will be absolutely, positively within the 15 per cent cost overrun buffer set by Nalcor, when similar projects have overshot cost estimates by much, much more?

If there are overruns — and if electrical consumers in the province are on the hook for paying for the full costs of the Muskrat project — will any cost overruns also show up on everyone's electrical bills?

Because if the candidates can't answer the questions to your satisfaction, they shouldn't be casting a vote in the House of Assembly to move the project forward.

Here's another question: will they promise not to support the project until all the questions are answered?

- 28 Sep 2011
- The Telegram (St. John's)
- Randolph Crocker St. John's

Reacting to reactors

I just read the Weekend Opinion article, "Muskrat Falls and facts" (Sept. 24) by Phil Helwig.

I am fascinated with his fourth option — that is, the building of a nuclear power plant to replace Holyrood.

With the reality of global warming and the resulting climate changes, the world needs safe, reliable nuclear power. We could build such a plant away from dangers of tsunamis and fault lines. We could bring home many of our children working as engineers, millwrights, electricians and many others.

We could build a plant that exceeds all current safety standards with a design that could be sold worldwide. We could also avoid the folly of allowing our electrical costs to double, something very likely with the Muskrat Falls proposal. Even Labrador could play a big part, now that uranium has been discovered there.

Let us open our minds to the fourth option. Viva nuclear power.

- 24 Sep 2011
- The Telegram (St. John's)
- BY PETRINA BEALS
- Petrina Beals is the executive director of the Mokami Status of Women Centre, Happy Valley-goose Bay.

Why a moratorium on Muskrat Falls is needed

As the provincial election heats up, so too does the debate about whether the hydroelectric development at Muskrat Falls is a good deal for people in this province. One of the main

criticisms leveled at the new hydroelectric generating station at Muskrat Falls in Labrador is that it will not lower energy costs for people in the province, yet Nova Scotians will get the power for half the price.

If you want to talk about who will pay the cost for this development, let's talk about the impact it will have on the local community of Happy Valley–Goose Bay, the nearest community to Muskrat Falls on the Lower Churchill River where it opens into Melville Lake before flowing into the Atlantic Ocean.

Provincial Crown corporation Nalcor surprisingly claimed there would be no long-term socioeconomic impacts from its economic development on the community of Happy Valley-Goose Bay in its environmental impact statement to the federal-provincial environmental assessment panel last April. How could that be, when an estimated 5,000, mainly male, workers will move into our town of 7,500 to build the dam over five years?

Nor should we overlook the fact that our community is already struggling with violence against women, a severe shortage of affordable housing and child care, growing poverty, mental health, addictions and substance-use issues. The research we presented to the panel showed this kind of large-scale development means we can expect other problems to develop, problems we are not going to be able to respond to effectively given our limited and strained resources and services.

Fortunately, the Environmental Assessment Panel came to our community to hear our concerns about the likely impact of this development on us — something Nalcor did not do. The panel recognized that the effects of the project on community and family life would be experienced primarily in Sheshatshiu and Happy Valley-Goose Bay (p. 217), and “that the impact would be serious and that disadvantaged women and children would be particularly vulnerable.” (p. 219) “The Panel concludes that it is likely that there would be adverse effects in Happy Valley-Goose Bay resulting from high-wage employment, including increased substance abuse, sexual assault and violence against women and children.” (p. 219)

The panel essentially called for a moratorium on further development when they called for further analysis of the projected benefits, including looking at the economic case for the project and other energy options, before continuing with the project.

But if this project does go ahead, the Environmental Assessment panel recognized it is essential that the community be involved in identifying the social effects and needs arising from this development (a social effects needs assessment). They also called for the community to be engaged in advance of development in participatory research that would establish key social indicators, collect baseline data, provide recommendations to prevent and address negative social effects (mitigation measures) and establish an approach to ongoing monitoring. (Recommendation 13.2 Social effects needs assessment and research).

If the project is approved, the EA panel also recommends that before construction begins, Nalcor support the efforts of the Town of Happy Valley-Goose Bay, relevant federal and provincial departments and local low-income housing agencies, to develop and implement a strategy to set measurable targets, address the existing low-income housing needs and mitigate the adverse

impacts of project-related in-migration on low-income housing (Recommendation 13.8, low-income housing strategy).

Before this hydroelectric generation station at Muskrat Falls goes ahead, there must be a genuine, shared commitment by Nalcor and the provincial government with the local community to ensure community sustainability and economic development in a way that ensures that social well-being and development occur alongside economic benefits for people now and well into the future. Developments have the potential to bring tremendous benefits to communities, but also tremendous risks, particularly for certain subpopulations.

We must be careful that the benefits which should accrue to Labrador and its people do not come at a price the local community and its most vulnerable members cannot afford.

You can read and hear more on our submissions to the EA panel at <http://criaw-icref.ca/femnorthnetnews>

- 24 Sep 2011
- The Telegram (St. John's)
- BY WILLIAM R. CALLAHAN
- William R. Callahan writes from St. John's.

Muskrat Falls: out of control

The one clear message coming though concerning the proposed Muskrat Falls development is that the Dunderdale government has completely lost control of the project.

This is the biggest, riskiest public undertaking by far in all our long history. But it has been left in the hands of about 100 hired hands who, by their public statements, couldn't care less about its public policy implications and its potentially dire effects on the province financially.

Telltale signs have been everywhere — this army of senior officials of Nalcor ready, at the drop of a hat, to push “their” \$6.2-billion project. And never mind likely cost overruns, alternative developments possibilities and the huge burden to be levied on ratepayers, while elected ministers deemed responsible to the people were most notable by their absence from the debate.

A respite

Then, thank God, the Joint Environmental Review Panel appointed — no greater irony — by the provincial and federal governments, delivered its bombshell report. It declared “inadequate” Nalcor's version of the best and least-cost approach to meeting the province's future energy needs. It cast doubt on the economics of Muskrat, preferring Gull Island. And it loosed a barrage of shortcomings that it said can only be sorted out by an independent analysis of alternatives ... and let it be noted, alternates largely suggested over many months by the political opposition, by

The Telegram, by its readers and by callers to openline shows — mainly, the great unwashed public.

However, the provincial government's and Nalcor's idea of an "independent analysis" has the marks of an exercise designed and carried out by their own selected and mandated agents, programmed to give answers they desperately need.

So much for "independence." A more appropriate and reliable course would be to lodge the matter with the appropriate faculties of Memorial University where, with peer review as a safeguard, the public might look with confidence of a fair assessment.

Ministers in hiding

In the meantime, the virtual absence of ministers of the Dunderdale administration from this whole exercise apparently is no accident, for we are told: "You have to separate the province from Nalcor ... We don't speak for the province (i.e. the provincial government) and what they're doing."

Does it follow perhaps that the province similarly does not speak for Nalcor?

The average person may have difficulty believing the words quoted were actually spoken by Ed Martin, president and CEO of the energy corporation.

They are found on its website in reference to the 2010 annual meeting and, in effect, were repeated this year, in response to Labrador Metis President Chris Montague's complaints of unfair treatment at the hands of Nalcor and the Muskrat Falls development.

The idea that Nalcor is somehow an independent entity, with full freedom to make its own decisions and operate as it wishes in planning to spend billions of yours and my mostly borrowed dollars, is growing and quite frankly frightening considering its cost implications for the Newfoundland and Labrador people. And it is perpetuated by the actions (or inactions) of the very members of government whose authority and responsibility the corporation is permitted to usurp.

We have another example in the words of Dawn Dalley, Nalcor's communications manager, as quoted in The Telegram: "At the end of the day, to be honest, to us we're kind of indifferent whether the project goes ahead or not..." Is this the level of commitment, of enthusiasm, that an elected government and a people should expect of highly paid servants in support of settled public policy?

No wonder John Collins, the former PC minister of finance, views with such alarm the insistence of Natural Resources Minister Shawn Skinner that the Muskrat Falls decision, far from being a political one — i.e., determined by elected politicians — "is made by professionals at Hydro." According to Dr. Collins, this is raising eyebrows concerning "the minister's view of his (own) job."

Hired hands

Out of nearly \$1 billion in cash and credits Nalcor apparently has received from the treasury in the past three years, there is employed a cadre of vice-presidents and their officials whose time is largely taken up writing lengthy articles to The Telegram and appearing on openline shows and in other media.

Their obvious task is to justify a project that could bankrupt the province and impoverish its people for decades to come while, amazingly, rejecting the suggestion it will disastrously worsen the public debt. They are elected to nothing yet they wield the spending (and thus, in effect, taxing) authority of the elected government on a scale unprecedented in all our history, and without the oversight of the auditor general and the Freedom of Information Act.

Clearly, there is something very wrong with this picture.

It is not improved by Gilbert Bennett, vice-president of Nalcor, writing in The Telegram: “By financing (it) through the provincial treasury,” he reasons, “(we) will own the assets once the project is complete. ... Regarding the long-term debt, the project’s financial analysis shows that with a firm buyer in place for the power, the province has a secure ability to repay, with the full debt repaid by 2041.”

The problem, of course, is that there is no “firm buyer” — other than residents of this province who have been told their electricity rates will double while Emera, the Nova Scotia company, gets a 20 per cent free ride and 40 per cent of the output will sell at cut rates, likely half what we will pay here.

Why did Danny Williams as premier inflict this miserable business on the rest of us, even as he bailed out of responsibility for seeing it through?

Does anyone have the answer? Dollars to doughnuts his successor does, but will she tell? And, before the October election?

- 24 Sep 2011
- The Telegram (St. John's)
- BY PHIL HELWIG
- Phil Helwig writes from St. John's.

Muskrat Falls and facts

A hydrotechnical engineer with 40 years' experience weighs in

There has been much discussion of the pros and cons of the Muskrat Falls Project.

I would like to add to this debate drawing on my experience as a hydrotechnical engineer with 40 years of experience in planning, design and the operation of hydro plants.

I will summarize my thoughts in four points.

- Development as a wealth producer: I believe that the Lower Churchill Project should be considered as a wealth producer; therefore the project should be developed so as to maximize the return on investment. The government can then decide how this new income should be best used: for education, health care, road construction, power for the island, etc.
- Labrador infeed: the idea of supplying the island with power from Labrador has always been popular, especially as politicians and others have promised cheap power.

The reality is not so simple. The cost of power delivered to the island is now known to be expensive but the main problem has always been one of "fit." The blocks of power from Lower Churchill — Muskrat Falls at 824 megawatts (MW) and Gull Island at 2,264 MW — are simply too large to incorporate into an island system of about 1,600 MW.

The way around this conundrum is to bring on line a super load in order to "front-end load" the demand, as done with the ERCO phosphorous plant for the Baie d'Espoir project. Currently, the need to reduce expenditures on fuel oil at the Holyrood thermal station offers an equivalent of a front-end load for the Muskrat Falls project.

This is interesting, but Holyrood replacement only accounts for about 60 per cent of the capacity of Muskrat and 30 per cent of its energy output, initially.

Is this "load" big enough to make Labrador infeed from Muskrat economically attractive?

- Alternatives: Nalcor has examined only two options, Muskrat Falls infeed and an island interconnected supply.

The later is essentially a thermal alternative that retains an upgraded Holyrood thermal station.

Given that the challenge is the replacement of Holyrood, why has Nalcor not considered a true island supply option based on island hydro and wind power to replace Holyrood?

A 1986 small hydro inventory study (capacity < 15MW) evaluated island hydro potential to be in the order of 800 MW, of which some 235 MW in 30 plants was judged to be very attractive economically.

Nalcor vice-president Gilbert Bennett, when interviewed by The Telegram, Aug. 13, stated that all small hydro plants were run-of-river and would contribute little to the system in winter.

This is disingenuous, since most small hydro sites can be developed with storage, if required.

The challenge with hydro is that many plants will have to be built to provide the capacity needed to replace Holyrood.

This can be mitigated to some extent by developing projects in groups which are located in the same basin and share the same project infrastructure, for example: Portland Creek, three plants for 42 MW; River-of-Ponds and Lake Michel for 39 MW; and others.

There are also sites in lands controlled by Kruger and formerly by Abitibi Consolidated that have larger capacities.

In the same interview, Mr. Bennett also misrepresented the contribution of wind power.

Essentially, discontinuous power sources such as wind contribute to the system as a fuel saver, permitting saving in fuel at Holyrood. Alternatively, wind energy can be stored by reducing power production at hydro stations and holding back water which can be released a day or week or month later in an orderly manner to displace fuel consumption.

The benefit is equivalent. When Holyrood is no longer in service wind energy can be used to back up production from hydro peaking units, notably at Baie d'Espoir and Cat Arm, whose hydraulic designs include provisions for the addition of peaking units of 150 MW and 64 MW, respectively.

A further challenge of wind power is that it impairs power quality: frequency and voltage due to rapid variations in output.

Clearly, there are economic and technical limits to the amount of wind that can be incorporated into an electrical grid.

A common rule of thumb sets this limit at 10 per cent of system capacity.

Recognizing the above challenges, Nalcor needs to develop and evaluate an island supply option to satisfy the public that the merits of this option have been properly assessed.

I also believe that a fourth option should have been considered, that is construction of a Nuclear power option to replace Holyrood.

At one time, the rule of thumb suggested the threshold for atomic power to be competitive was a unit size of 400 MW.

This option was not considered because Nalcor's charter specifically forbade the consideration of nuclear power, according to Gilbert Bennett when I posed the question — how strange!

- The deal with Nova Scotia: the relationship with Emera is the most puzzling aspect of the deal.

Providing them with 20 per cent of the output of Muskrat Falls for 35 years for free does not seem to make sense.

Newfoundland's only apparent benefit is free access through the N.S. transmission system to markets in the U.S. This doesn't seem to be a good deal.

On the issue of power export to the U.S., one should recall that power from Muskrat Falls is an important asset of the people of Newfoundland and Labrador and therefore should be a key part of the project not just "gravy," as Gilbert Bennett stated in his Telegram interview.

This deal with Emera needs to be properly explained.

In my opinion, Nalcor has not made the case that Muskrat Falls is indeed the cheapest source of power for island consumers.

Perhaps the review by Manitoba Hydro will provide an appropriate occasion for Nalcor to clarify its case and respond to shortcomings noted by myself and others.

- 20 Sep 2011
- The Telegram (St. John's)

Shale gas and Muskrat Falls

I would like to comment on the very interesting letter in the Opinion section of The Telegram about shale gas written by Cabot Martin ("Muskrat Falls and the changing face of energy," Sept. 17).

He makes several interesting points along the way.

However, in his enthusiasm for natural gas derived from shale, there is one major consideration that he didn't mention: the environmental damage caused by extracting the gas.

The issue is highly contentious but there is the danger of water table contamination with the fracking process, whereby water and chemicals are pumped down into the shale to force out the gas.

In western Pennsylvania, which sits atop the Marcellus shale deposit, it is projected that there could be 100,000 wells drilled over the next 10 years.

If that proves to be the case, then I, too am of the opinion that the cost of Muskrat Falls power will be completely uncompetitive and the development itself will be financially catastrophic for our province. Bob Oxley St. John's

- 17 Sep 2011
- The Telegram (St. John's)
- BY CABOTMARTIN

Muskrat Falls and the changing face of energy

What made sense in November 2010 doesn't make sense any longer

In this case, a very rapid and totally unpredictable change in the United States electrical market (the development of shale gas) has fatally undermined a big part of the original Muskrat Falls logic and has come on with such a speed that it has caught virtually everyone in North America off guard.

It is time for me to face it: maybe I was wrong about Muskrat Falls after all. When the project was announced on Nov. 18, 2010, I applauded the initiative, seeing in it a solution to a problem that has bedeviled us since the 1970s.

In my enthusiasm, the details were set over for analysis on a later day; the changing face of U.S. energy markets not critically examined.

It was, after all, an "historic" day. And I had personally fought hard for a similar project back in the early 1980s when the U.S. market was crying out for reasonably priced power from Labrador.

My reaction was best summarized by an email I dashed off to a friend in the States that very day.

I hasten to add, and as you will see below, of all people, maybe I should have known better.

From: Cabot Martin Sent: Thursday, November 18, 2010 12:04 PM

To: xxxx, Jeff

Subject: Re: Hello from Newfoundland

Jeff

Good news on your Achilles make sure to take it easy.

And many thanks for the suggestions especially re genealogical resources.

Big day here today as they just announced a \$6.2 billion 824 Megawatt hydro generation/transmission project between Newfoundland/Labrador and Nova Scotia.

Dam itself is in Labrador and previous to this Quebec has had a stranglehold on us as they refuse to let us transmit power across Quebec unless we sell the power to them at the Quebec/Labrador border (which they don't recognize!) at firesale prices so they can resell it and reclaim all the profit!

Back in 1967 Quebec locked up by far the biggest and cheapest hydro site (the Upper Churchill — 5,000 megawatts) for 65 years under such an arrangement and we have been unhappy (to put it mildly) ever since.

This time the power will flow south to the Island of Newfoundland (down the Northern Peninsula) and then the line will split with the majority of the power coming east to the St John's area and some going by submarine cable to Nova Scotia and on to the USA.

And while \$6.2 billion is a big deal for us, this is just the start as this new connection to Nova Scotia/NE U.S.A. opens a whole new market for us.

In the medium and longer term, there are more hydro sites, wind energy and natural gas fired electricity that can be sent south via an expanded version of this system.

Cabot

All of which turns out to be in need of serious revision because of the rapid development of shale gas in the United States.

However, I repeat it here as this is probably a good summary of some of the key ideas that motivated the provincial government to support this project in the first place — especially the part about gaining access to those great export markets in the U.S.A. by getting around Quebec.

Problem is, the United States electrical pricing world has changed (and continues to change) so rapidly that what might have seemed OK last November may well now be ashes.

Thanks to the very rapid development of shale gas supplies in the United States (and in such strategically located places as Pennsylvania), it is hard to see how there is now, or for the foreseeable future, any market for relatively expensive power from distant Labrador in the United States. At the current U.S. price of around \$4 per 1,000 cubic feet, shale gas can fuel gas turbine power plants at a price that is knocking even cheap but dirty old King Coal off his throne.

Shale gas is delivering electricity to consumers in the less than seven cents per kilowatt hour range, which is less than the cost of transmission of Muskrat Falls power to the island let alone to the U.S. (and never mind the cost of generation which is about another seven cents).

And this is not a temporary phenomenon. I have first-hand knowledge of the scope of the “Shale Gale” that is sweeping the U.S.A. and am continually amazed at both the depth and pace of the

technological revolution taking place and the rapidity at which new shale gas (and increasingly shale oil) supply areas are being brought under development, both in the States and abroad.

Prices falling dramatically

Simply put, the Americans have identified an incredible shale gas resource base whose exploitation knocked the supposedly ever increasing price of natural gas from over \$10 per 1,000 cubic feet back down to about \$4 in less than two years. And that price seems set to stay steady at around \$4 to \$5 per thousand cubic feet in 2011 dollars for many, many years. Think of it! On a straight BTU energy basis, \$4 to \$5 per thousand cubic feet of natural gas is the equivalent of \$24 to \$30 per barrel oil (6,000 cubic feet of gas contains the same amount of energy as one barrel of oil).

Suffice to say that the U.S. shale gas reserve base is of such a size, and available at such a low price, that there are active and large programs under way in the U.S.A. to switch trucks (and even cars) from gasoline to either shale gas-based compressed natural gas (CNG) or liquefied natural gas (LNG).

In fact, the United States has so much shale gas available that many of their LNG import terminals are now being converted to export terminals. And world scale natural gas fueled petrochemical plants are now being built from Texas to Pennsylvania (the first such plants to be constructed in the U.S.A. in over 30 years).

This is a true energy revolution whose “knock on” effects in other energy sectors we can ill afford to ignore. For instance, in July of this year, a major international oil company pulled out of the multi-billiondollar and long-touted Mackenzie Valley Gas Pipeline project to concentrate on its shale gas holdings in northeast British Columbia not that much farther south.

This B.C. shale gas, in turn, is too expensive compared to shale gas produced in the States and the company is looking to ship it as LNG to China and the Far East.

But the Chinese market itself may turn out to be less lucrative than first thought as China, while behind the U.S. in shale gas technology, seems to have even more shale gas potential than the States — and on and on goes the shale gas revolution.

Meanwhile, the Mackenzie Valley’s many trillions of cubic feet of more expensive conventional natural gas (once worth “on the books” many billions of dollars) are well on their way to being economically “stranded” because they cannot meet the competition.

So too, it seems, with Muskrat Falls power, at least with respect to U.S. markets.

As I said, I, of all people, should have known better last November.

Over the last five years, I have had the pleasure of dealing with a lot of very knowledgeable people (primarily in the States) who are fully engaged in the shale gas revolution. But I can safely say that until quite recently, virtually none of them stood back and asked the simple question — where is all this going to end?

So coming back to our local situation: Is it our future to be a relatively high-priced electricity island “stranded” off a North America dominated by relatively low-cost electricity?

Do we really have no choice but to build a massive Muskrat Falls project whose original economic rationale has been radically undermined?

Maybe not. Because there are significant proven reserves of what are probably stranded conventional natural gas on the Grand Banks.

Our own backyard

So how much natural gas is out there and available for our use?

Well , if you take all the gas that is now being produced on the Grand Banks in association with the oil and you subtract that part needed by the oil companies for re-injection to assist in oil production, and then you further subtract that much smaller part needed to fuel the gas turbines that generate electricity in the production process, there is still quite a bit left over.

Certainly more than enough to generate sufficient power to replace Holyrood for the 30-year span out to 2041 when the Upper Churchill becomes available.

So what happens to this produced but unneeded and unmarketable gas right now?

Well, being a relatively enlightened jurisdiction, the flaring of gas on the platform is pretty well forbidden except in exceptional circumstances.

So a lot of the gas, after separation from the co-produced oil and water, is re-injected into wells drilled into non-producing but relatively porous geologic horizons to be possibly produced some time in the future (but with some degree of uncertainty as to how much of it we really will be able to technically produce a second time even if there was a market for it).

In any event, there is at least enough “unwanted” gas to justify a full and independent study of the option of bringing that gas ashore to fuel a new natural gas-fired turbine generating station to be built on the Avalon.

Gas turbine electrical generation is hardly a new concept but with the sudden availability of plentiful, cheap shale gas, they are now springing up all over the States. They come in a range of sizes and are increasingly efficient with great associated economics and significantly lower environmental footprints than the current Holyrood facility.

Looking at a Grand Banks natural gas to electric project as a whole, I am reliably informed that for a bit less than \$3 billion (ie. less than half the cost of the overall Muskrat project), Nalcor could do the following:

- Add a natural gas compressor package to the new wellhead GBS proposed by Husky as operator for the White Rose Growth Project;

- Build a standard (but iceberg protected) optimum sized natural gas pipeline to shore (landing at say Holyrood);
- Build an optimum-sized LNG liquefaction plant, LNG storage tanks, LNG re-gasification plant and LNG export and import dock — all at say Holyrood; and
- Build a state of the art 500 megawatt gas turbine electrical generation plant at Holyrood.

As I said, all of this can be constructed for about \$3 billion. Given a guaranteed long-term customer at Holyrood for part of the pipeline throughput, this is the sort of project that should attract private investment, thus lowering the additional debt to the province.

The LNG part would add significant flexibility to the overall project (especially compared to Muskrat):

- by providing a backup supply of turbine fuel during any planned or unplanned interruptions in pipeline gas deliveries;
- by providing a LNG export outlet when summer pipeline deliveries exceed our Holyrood turbine fuel requirements;
- by providing a long-term import option for U.S. shale gasbased LNG should Grand Banks gas somehow not be adequate to carry us through to the magic year of 2041 when our access to ultracheap Upper Churchill Falls power might conceivably justify building a transmission line to the island;
- by providing a long-term LNG export option for any Grand Banks gas surplus to our needs.

So what's so different about the economics of this gas now as opposed to 10 years ago when the province had a pretty good team look at it? Well, like a lot of feasibility studies, a lot depends on the goals and assumptions you start off with.

For instance, in its final written submissions to the Lower Churchill Environmental Panel dated April 14, in addressing Grand Banks natural gas as an alternative to Muskrat, Nalcor said: "This alternative is purely hypothetical, as the current offshore operators have looked into the technical and economic feasibility of transporting and marketing their natural gas reserves and none have identified a viable business case."

Incomplete examination

However, the analyses that Nalcor is referring to were "pre-shale gas" in timing and approach. More importantly, they looked at our offshore gas resources from an oil company point of view.

And those companies were not interested in developing Grand Banks gas unless they could make a very hefty rate of return while doing so.

For instance, the 2001 Gas Pipeline Study referred to below assumed the companies needed a rate of return on investment of 20 per cent which is more than double Nalcor's presently proposed 8.4 or 9 per cent on Muskrat Falls.

And another key thing is that the companies and the consultants were always looking at the economics of moving big volumes of gas in a very big diameter pipeline all the way to the U.S.A.

Now, we can't blame the oil companies for their approach; from their point of view it was entirely logical at the time.

But we can stop and recognize that those analyses are no longer valid as they did not address the question of whether some smaller volumes of gas (more suited to our internal needs) can be brought ashore economically especially with a built-in LNG seasonal export option.

I should also note that this "big volume big diameter pipe" approach to moving Grand Banks gas all the way to a U.S. market with its very high capital costs is also the basis of the 2001 Gas Pipeline Study on which the recent Navigant study rested its very brief examination and conclusions concerning the Grand Banks gas alternative to Muskrat.

Simply put, the sort of medium-scale combined pipeline, LNG and gas turbine generation approach advocated above remains un-examined by any rigorous, comprehensive and up-to-date study.

We need to look at this "stranded" Grand Banks gas, not from the oil companies point of view, but principally from the point of view of keeping our own electricity costs down.

And apart from the fact that cutting down on unnecessary gas reinjection would probably save the companies some serious dollars, it's not like we don't have a few arguments on our side.

For a start, given the long-term shale gas supply picture in the U.S.A., the "we'll do oil first and get around to the gas later" attitude that has driven our offshore natural gas policy since Hibernia was developed needs serious re-thinking by the oil companies and by the province alike.

A very rapid and totally unpredictable change'

Because, like Mackenzie Valley gas, Grand Banks gas is in great danger of being "stranded" long term with little or no economic value in the normal market place.

Indeed, we (through Nalcor) are probably the only plausible medium and even long term buyer with a practical reason (our heat and light bills) to want to see this gas developed.

So why shouldn't the oil companies give us access to sufficient gas at a "good" price (ie one that will ensure that the overall cost of electricity generated onshore from it will be significantly less than the 14 cents per kilowatt hour threshold set by the Muskrat Falls alternative)?

That way, Husky and the other oil companies would at least get some value for that part of their gas and would be assisted in kickstarting the development of their Grand Banks gas generally, while helping us get out of an energy jam at the same time.

In fact, leveraging off a, say, \$3 billion investment associated with supplying our provincial electricity needs may be one of the few ways their offshore gas can be monetized in the near future.

And while we can, in any event, invoke our right to take part of our royalty as gas in kind, I would hardly think that will be necessary.

Now, unfortunately, we have this election coming up on us.

And it is true that the present government has, to date, been supportive of a Muskrat Falls approach. But Premier Kathy Dunderdale has also wisely said that nothing is cast in stone, that the project has not been sanctioned and that new facts may bring about a change in policy.

Ground is shifting

In this case, a very rapid and totally unpredictable change in the United States electrical market (the development of shale gas) has fatally undermined a big part of the original Muskrat Falls logic and has come on with such a speed that it has caught virtually everyone in North America off guard.

Simply put, there is no shame in being caught off guard (as has virtually every energy policy analyst in North America) by the “Shale Gale.”

And we probably should not be too hard on Nalcor either.

Hydrocarbon supply and price uncertainty has all of a sudden made this one of the most difficult times in over 30 years at which to commit to large-scale electrical generation projects in eastern North America.

Fortunately for us, the present administration has not yet sanctioned Muskrat, even though they could easily have done so and then ridden into an election on that basis.

And this is key because project “sanction” is like Mission Control saying “Engines running—liftoff — we have a liftoff.” It is the key point of no return when serious and irrevocable legal and financial commitments are made and the real money starts to flow.

The Muskrat project sanction decision date looks to be coming some time in the new year and only after the more detailed construction costs for Muskrat come in. That would certainly be an appropriate time to take stock.

So, if in the meantime, a comprehensive, independent, Grand Banks natural gas/electricity generation study is done and it shows a positive alternative to Muskrat, then the scene will have

been set for a radical but potentially very exciting and positive change in how we can best generate the electricity needed for our growing economy.

Hard choice to make

Granted it would be an extraordinary test of leadership to change course at such a late date but there are good grounds to hope that, if the facts are there to support such a change, that Premier Dunderdale if re-elected, as seems highly probable, would be up to the task.

The most important thing right now is that the forthcoming election not be seen as a referendum on the Muskrat Falls project one way or another.

Making such a big decision requires more study and that study will take time. Best leave the conclusion of this debate to more reflective times in the New Year.

This is one decision we cannot afford to get wrong and as Phonce (aka Andy Jones) said in the movie “Rare Birds,” it always pays to have a Plan B.

In conclusion, I would stress that the above are my personal views, for which I am solely responsible.

- 17 Sep 2011
- The Telegram (St. John’s)
- BYMAURICE ADAMS
- Maurice E. Adams writes from Paradise.

Muskrat Falls: boon or boondoggle

In the Sept. 3 Weekend Telegram letter to the editor “Looking for the downside,” lawyer Janet M. Henley begins her apology for the Muskrat Falls project by stating, quite firmly, that she has “no doubt that we need the generation ... no doubt that a Labrador-island infeed with a link to Nova Scotia will benefit the province, especially when the Upper Churchill contract is up for renewal in 2041.”

While it has been many, many years now since French philosopher Rene Descartes suggested that having “doubt” is actually helpful in “freeing us from our preconceived opinions,” as far back as the 17th century he also wrote (in a preface to his 17th century “Meditations on First Philosophy”) that “the judgement of many people is so silly and weak that, once they have accepted a view, they continue to believe it, however false and irrational it may be.”

But is it fair to ask whether Ms. Henley's judgement is silly and weak?

Is it fair to ask whether her view is a false and irrational one?

Or is it (as Descartes might suggest) that her absence of doubt might cause her to write what is little more than her own "preconceived opinions?"

In any event, let's take a closer look at Nalcor's own documents.

Falling demand

A close look at Nalcor's historical load document shows that nearly all (more than 98 per cent) of the island's 40-year average growth rate in historical load occurred before 1989.

Combined with actual statistics from year 2010, the facts show that over the last 21 years (and by 2010) we have reached a point where we are now using less energy than what we did in 1989. And since 2004, demand has been going down at an even faster rate, down a total of more than 15 per cent, for an average negative growth over the last six years of more than two per cent per year.

While Ms. Henley claims that "we have dodged the bullet on increased rates due to new generation only because (emphasis mine) Abitibi closed its Stephenville and Grand Falls mills," a close look at Nalcor's 2010 annual report shows that for year 2010 energy demand went down another 120 GWh, and of that 120 GWh, only 20 per cent of that reduction was due to reduced "industrial use," while 80 per cent of the reduction was due to reduced "residential" use.

Furthermore, a close look at Nalcor's Capacity/Energy Deficit — Forecast document shows that not only is the island's "existing system installed net capacity 1,958 MW", but Nalcor's 2010 annual report also shows that the island's "peak demand" averaged only 1,330 MW for the last five years, and was down to only 1,305 MW for year 2010.

In summary, the island has an existing installed net capacity of 1,958 MW — a capacity that is more than 650 MW greater than the island's 2010 peak demand of 1,305 MW.

The island therefore already has an existing excess of unused power that is more than double the 300 MW of unneeded Muskrat Falls' power that will cost ratepayers billions of dollars in debt (and debt servicing costs) to bring from Labrador. Even with Vale's Long Harbour plant, demand will increase by only a further 85 MW (only 13 per cent of our existing unused 650 MW).

While Ms. Henley further states (incorrectly) that Holyrood provides 40 per cent of the island's electricity capacity, Nalcor states categorically that Holyrood's net capacity is only 466 MW, which is only 23 per cent (not 40 per cent) of the island's 1,958 MW installed net capacity.

Furthermore, Holyrood provides on average only about 15 per cent of the island's power.

So, even with Vale's Long Harbour plant (and even without Holyrood), the island's excess, unused installed net capacity will still exceed the island's demand by more than 100 MW.

So, is there (as Ms. Henley claims) no reason to doubt the need for additional generation?

Even Rene Descartes might disagree.

On the matter of Muskrat Falls enhancing the province's bargaining position in 2041, the Upper Churchill produces 5,400 MW of power. The proposed Muskrat Falls link to Nova Scotia will not even be able to handle all of the Muskrat Falls meager 800 MW of power (at most it will be able to handle 500 MW).

Accordingly, Muskrat Falls does nothing (come 2041) to enhance the province's bargaining position with Quebec.

What Muskrat Falls will do, however, is increase electricity rates, increase our debt, increase our debt servicing costs, provide majority ownership of our total maritime transmission links to an out-of-province private company, seek an out-of-province loan guarantor that risks the loss of ownership of Muskrat Falls to outside interests, decrease the competitiveness of our business community (while improving the competitiveness of our neighbouring provinces), provide very little power for future export sales, do nothing to enhance the province's 2041 negotiating position with Quebec for either the Upper Churchill or Gull Island, and do nothing (post 2041) to allow for the transmission and sale of Upper Churchill or Gull Island power via Labrador-Island (and possibly Nova Scotia) maritime links.

Given Dr. Wade Locke's report that, by 2021, this province could see annual billion dollar deficits due to a decline in oil revenues and spending levels that are unsustainable, in essence, Muskrat Falls will further weaken us fiscally, and by 2041, we will again be at the mercy of Quebec, the federal government or Emera (a repeat of Brinco's weak financial position that helped cause the Upper Churchill fiasco in the first place).

Missing revenues

While the Muskrat Falls project places Newfoundland and Labrador's economic viability at risk, it does nothing for the Upper Churchill and nothing for Gull Island.

These potentially massive revenue generators are excluded from this stand-alone Muskrat Falls option.

Any possible integration of the two larger of our three revenue generators with the Muskrat Falls project is left for future generations to solve.

The single Muskrat Falls approach offers no solutions to our post-2041 Upper Churchill and Gull Island transmission problems, and as a stand-alone project therefore, it does not constitute a comprehensive, coherent long-term energy solution.

It relies almost totally on massive revenues from Newfoundland and Labrador ratepayers and is uneconomic as an out-of-province revenue generator.

Gives away control

Contrary to what Ms. Henley suggests, what Muskrat Falls will do, however, is ensure that out-of-province forces will continue to have a stranglehold on the Upper Churchill (and Gull Island) power and that future benefits will not accrue to the people of Labrador and Newfoundland — but to our Muskrat Falls loan guarantor, to Emera, or again to Quebec.

While the viability of the Muskrat Falls project relies almost exclusively on the credibility of Nalcor's energy demand, oil, project and debt servicing forecasts and arguments, we perhaps would do well to recall words that were written more than 2,500 years ago: "Arguments which base their demonstrations on mere probability are deceptive, and if we are not on our guard against them they deceive us greatly" (Plato, "The Pheado").

- 17 Sep 2011
- The Telegram (St. John's)

Gas lines

"We were happy about getting it at this time because we knew we probably weren't going to get the PUB report until later in the year or until early spring. And I really wanted the people to have something that was independent of all of us for them to consider before we went to the election, so I'm really glad we have it." That's Premier Kathy Dunderdale, talking about a consultant's study of the Muskrat Falls project that was released Thursday.

But is it really something "independent of all of us," the kind of independent analysis that critics of the project have called for, and that a joint federal-provincial environmental review panel says the project needs? That's debatable. While the Navigant report supports Nalcor's analysis of the project, Navigant readily admits that it is using Nalcor's data to make its decisions on the project. Navigant's disclaimer about that in the report is hard to miss: "This independent report was prepared by Navigant Consulting Ltd. (Navigant) for Nalcor Energy based upon information provided by Nalcor Energy and from other sources. Use of this report by any third party for whatever purpose should not, and does not, absolve such third party from using due diligence in verifying the report's contents."

And there are parts of the review that certainly make you want to scratch your head. Take, for example, Navigant's determination that Nalcor was right to discount the possibility of using Grand Banks natural gas to generate power. Navigant's conclusion? "Nalcor appropriately excluded natural gas generation in both generation expansion alternatives because natural gas is not commercially available on the island and there are, as yet, no firm development plans to bring natural gas to the island."

(You could argue that there are no firm development plans to bring hydroelectric power to the island from Labrador yet either, or, in the contrary, that having plans doesn't necessarily make something the best option, but leave that aside for a moment.)

The details of the Navigant study cite a 2001 provincial government report, suggesting that a possible natural gas electrical generation plant would use far too little natural gas: only about one-tenth of a proposed pipeline's capacity.

At the same time, the point of the 2001 study (if you actually go back and look at the study) was to consider the economics of a pipeline system to carry natural gas not to the province, but to Come By Chance, and from there, to Eastern Canada and the United States.

Economics for a shorter, smaller pipeline to supply an island plant aren't specifically discussed, although the report suggested (in 2001) that a pipeline to shore would cost \$794 million, with an additional \$69 million for a terminal. That seems to be slightly more costeffective than \$6.2 billion for Muskrat Falls. And that's just one point. What's it all mean? Well, that Navigant is doing what it was asked to do: taking the information that Nalcor is using, and basically seeing if the math is done right. It's an independent company doing an analysis, but it's not necessarily what you would call an independent analysis.

As Cabot Martin points out in an extensive letter on page A23, the ground rules for energy production in North America are changing dramatically and quickly; a project that made sense in November 2010 might not make sense now.

And that's exactly the kind of concerns a truly independent analysis could address.

- 15 Sep 2011
- The Telegram (St. John's)
- BY AUBREY SMITH
- Aubrey Smith writes from Grand Falls-windsor.

We need facts, not fiction

Deanna Stokes-Sullivan wrote an article for The Telegram (July 31) headlined "Holyrood renews call for plant upgrade" in which she related the continuing frustration of the Holyrood town council with pollution from the plant that squats on the boundary line it shares with Seal Cove (part of the municipality of Conception Bay South).

This council did not expect our government to close this plant but simply to reduce its polluting emissions — which I am somewhat of aware of, having walked many miles in this area and spent much time in Holyrood when visiting relatives next door to the plant.

This was a frustrated council indeed, but one wonders where C.B.S. was in all this, since the plant should be as much an irritant to them as to Holyrood. Let's not forget these provincial

districts — Harbor Main which has had MHA Tom Hedderson since 1999 and C.B.S. which has had MHA Terry French since 2002 — and that a Tory take-over of the provincial government in 2003 under Danny Williams' leadership has not moved on this problem.

In fact, no government really intended to move on this problem when one views the escalation of its generating capacity. Holyrood was placed in service in 1970 with two 150 megawatt (MW) units. A third 150 MW unit was added in 1980 to increase the output to 450 MW. In 1988/89, the original two units were modified to increase the plant capacity to 490 MW.

The problem lies with the fuel source, very heavy oil that is brought to the plant in large tankers and stored and replenished as needed. This oil heats large oil furnaces to produce the steam that drives the turbine generators to produce electricity. It is a No. 6 heavy oil and a quick Google of this site, <http://www.hess.com/ehs/msds/9907No6FuelOil.pdf>, will enlighten you as to what the people of this region must contend with since the burning efficiency, maintenance and the installation of other environmental protective devices are essential factors for residents' health. This facility is no small matter when it concerns environmental health.

Newfoundland and Labrador Hydro's Holyrood Thermal Generating Station is an essential part of the province's generating system. The plant burns approximately 6,000 barrels per day, per unit, at full load to produce steam at 540 degrees Celsius and 13,790 kPa at a rate of over 500 megagrams per hour. (See Wikipedia, Holyrood Thermal Generating Station.)

Just think, each of those three units burns at least 6,000 barrels of this heavy oil per day, or maybe more, to help drive the Newfoundland economy.

How would you like that next door to you? This plant can produce a full 3,000 gigawatt-hours and can meet 40 per cent of our island's requirements, but, conversely, this generating station had been ranked the 42nd heaviest polluter in Canada.

It's a dilemma for our legislators, for the people in the region and economically for all taxpayers who must pay the future escalating hydro bills for new hydro development. Are the Lower Churchill twin projects the only answer to our dilemma?

What are its drawbacks apart from cost?

What are the energy alternatives when 2041 allows us to claim our Upper Churchill birthright or is that, too, just some pipedream that can be facilely bartered away by desperate politicians or stolen by others — as was our fishery?

Yes, our people need guidance, not propaganda. We need facts, not fiction. As surely as the people of Israel, out of fear of public unrest and Roman retribution, delivered Jesus Christ into Roman hands to silence Him, we too should now be afraid. Yet, unlike the Biblical scenario which was preordained by God himself, we in Newfoundland and Labrador have no such divine template.

We are free agents, but we do have an awesome responsibility with these twin hydro developments.

We must not and will not be pushed into error.

If we are, we will surely live to regret our cowardice. Politicians may change and times may change, but once the ink is dry on that agreement, we are shackled for our lifetimes — and so, too, will be our offspring for centuries to follow.

I can see it now: we poor bastards adjusting the thermostats downward while these affluent retired MHAs frolic in Florida and other warm climes. God, don't you just hate it?

- 10 Sep 2011
- The Telegram (St. John's)

A voice from Labrador

The upcoming election will determine how pricey Muskrat Falls will be, how environmentally sensitive or destructive, and how the joint environmental panel's recommendations will be implemented or rejected.

Simply stated, if the Tories win the election, heavy equipment will be on the ground in early December for an early spring start of the Muskrat Falls project. Cynical? No. The only reason Nalcor and Dunderdale are backing off telling the panel to go to hell, is the upcoming election and the rumor electricity rates for the island will double. Taxes for everyone will increase to ensure this project is viable, in the sense of never needing outside financing. Politicians will get their hidden company affiliates hooked into the benefits they have been after, never mind the project makes no economic sense.

De we think for one second HydroQuébec is going to sit by and watch a little cable coming out of the middle of the Atlantic cut into their electrical monopoly of the U.S. market?

Not a chance. Hydro-Québec will undercut the competition in a heartbeat. So, in light of this possibility it is not hard to see how little economic sense this, or any other project, makes without the inclusion of Quebec. Quebec must be a part of any decision to develop or export power from Labrador.

The real shame in all of this development for Newfoundland is Labrador must be left out.

Labrador does not have the population or infrastructure to justify further electrical development on this scale. Labradorians appear to see no future for its resources and infrastructure development for them.

The election will be business as usual, Labradorians electing another offshore government, again without Labrador representation.

Bodies in the seats yes, but only to nod to all decisions made regarding decisions best for the island and party.

This will not change, so the sole motivation for anyone from Labrador running to represent Labrador is simply a misguided naïve intent they might make a difference.

Coffee is on folks, time to wake up. The only real vote in Labrador should be Happy methyl mercury fish and seal harvesting.

The time for Labradorians to take charge of Labrador is long overdue. Labradorians don't have to separate from Newfoundland — the Straits of Belle Isle is a reality.

Time to unhook politically. James G. Learning

- 7 Sep 2011
- The Telegram (St. John's)

Electricity by the numbers

The Public Utilities Board authorized a rate increase of 7.75 per cent based on Nalcor's predicted cost of Holyrood power at 16 cents per kilowatt hour (kWh).

Muskrat Falls is supposed to replace the Holyrood power plant — not the entire island grid.

If Muskrat Falls power is 14.3 cents per kWh, my electricity bill should be less, not 35 per cent higher.

On reflection, I realize that 14.3 cents per kWh is what it costs to produce 100 per cent of Muskrat power. (As only 40 per cent of the power is needed at Holyrood and the rate payer is responsible for 100 per cent of the cost.)

Does this mean that the cost of Muskrat power (compared to Holyrood) would be 2.5 times 14.3 cents per kWh or 36 cents per kWh? Gerry Goodman St. John's

- 2 Sep 2011
- The Telegram (St. John's)

Access is the important thing

An open line was the main Muskrat Falls problem that wasn't tackled on Tuesday's "Open Line" show.

Our Muskrat problem is not financing or electricity generation, our problem is a blockage in transmission that extends into marketing.

This is a Canadian problem, not a provincial problem.

This has and will continue to destroy all provincial economic benefit from the Upper Churchill and can do the same to Muskrat.

If the Upper Churchill agreement expires without a Canadian freedom of electricity transmission law, Quebec will still hold all the winning cards for another settlement in their favour — or if we do Muskrat, we could quickly be back in the same rat race, only with a different province.

Canada has freedom of access for all to rail, to airways, to the seaway, to highways, to pipelines — all used for transporting goods to market.

Hold your horses on Muskrat till we get a better electricity transmission deal with Canada.

Don't be in a rush to sell the shop again. Arthur Elkins Flatrock

- 31 Aug 2011
- The Telegram (St. John's)
- Peter Jackson Peter Jackson is The Telegram's commentary editor. He can be contacted by email at pjackson@thetelegram.com.

Tunnel vision

When I look at the proposed Muskrat Falls hydroelectric project, I sometimes think about wrongful conviction cases.

The analogy is not a stretch. The province's energy company, Nalcor, defends the project with great conviction, but there is always that nagging possibility that they're wrong. That the whole thing is an expensive white elephant.

Wrongful conviction cases usually result, at least in part, from tunnel vision. In a crime where one suspect stands out for one reason or another, detectives may unwittingly channel their investigation into that one theory of the case. Rather than following contrary evidence where it naturally leads, they may try to hammer it into their own scenario, or ignore its significance altogether.

In a famous case in Ontario in the 1980s, Guy Paul Morin was tried, acquitted, then retried and convicted of killing a young girl who lived next door. The police found Morin to be an odd, introverted sort, and focused their investigation entirely on him from the start. They ignored serious variances in time lines, as well as a number of other crucial leads reported by witnesses.

Morin was eventually cleared through DNA evidence, and was awarded damages by the province.

Last week's joint environmental review panel report on Muskrat Falls found a similar lack of thoroughness on the part of Nalcor, particularly when it came to alternative theories of the "crime." In other words, they have not fully examined the potential of alternative sources of power to cover the long-term needs of the island portion of the province.

So, why is Muskrat Falls the "prime suspect" for power generation?

Because it fits into a long-held dream of this province's politicians and people to make up for the Churchill Falls blunder.

And under former premier Danny Williams, it became more than a dream to reap benefits from a new project. After negotiations with Quebec proved fruitless, it morphed into an opportunity to snub Quebec.

The seemingly untenable proposal of skirting around Quebec through underwater cables became part of Williams' daily parlance. He floated the option as if he was talking about a minor detour off the Trans-Canada Highway.

To some, it may have seemed like a poorly veiled bluff. But in November 2010, there it was — a tentative deal with Nova Scotia's main energy company to wheel power under the sea to the Northern Peninsula and then across the Gulf to the Maritimes.

If there had been no Upper Churchill; no lopsided deal. If there had been no friction with our nationalist neighbour, and no engrained desire to undo the wrong we were duped into decades ago. And, finally, if there had been no Danny Williams — would this project have even materialized?

Reading the review panel's comments, one comes to the conclusion that the rationalization for the project is circular. The Muskrat project is a given, and the statistics that are gathered only justify its existence. Statistics that fall outside the project — that of alternative sources — are sparse and poorly developed.

And simple considerations — like the impact on consumption of the trend towards energy efficiency — are ignored.

It's important to note that the panel's review was not all bad. Nalcor had done its homework in many areas, particularly in terms of gauging the impact on communities and natural heritage.

Unlike preparations for the Smallwood Reservoir in the 1960s, for example, the panel "acknowledged that Nalcor has been proactive in surveying historic and archeological potential, and has worked extensively with Innu elders to address their cultural concerns."

But the key concern — viability — remains sketchy.

The thing about court trials is that the defendant may, of course, be guilty. And Muskrat Falls may still be the best of all possible scenarios. It's a guessing game no matter how thoroughly you study it, but it should be the best educated guess possible.

The trial's not over. Let's hope we have the right man. Because if we don't, the damages we'll have to pay will be enormous.

- 31 Aug 2011
- The Telegram (St. John's)

Using less

One piece of the electrical power puzzle that hasn't gotten much attention is the question of why we're not looking at reducing demand for power, instead of simply planning to build expensive plants to meet that expected demand.

Countries like Finland — faced like we are on the island with limited options to develop new power sources — started aggressive energy reduction programs years ago. The country set extensive goals of energy audits and retrofits of existing buildings with a target of not just limiting the growth in electrical demand, but actually shrinking demand.

One area was the country's government buildings, some 11,200 of them in 2006.

In those buildings, the government was able to reverse electrical consumption, and then hold the line on those savings. A federal report on the energy savings details just how large they were: "During the period 2003–2006, the specific consumption of heating energy in the building stock ... decreased and was 9.5 per cent lower in 2006 (38.9 kWh/m³) than in 2003 (43.0 kWh/m³)." But it wasn't just state buildings: the Finnish government also took an active role in projects to recapture waste heat from industry and commercial operations, using that heat in its "district heating" program to help heat private homes.

The state also undertook everything from reducing tax regimes to rewarding energy savings — with increases for heavy users — to widespread energy audits (50 per cent paid for by the government) and energy-saving upgrades (also supported by government subsidies of as much as 25 per cent). There were changes to building codes and standards and a program that certified homes that met advanced energy-saving standards.

It was a broad-based strategy that looked for power savings from private home owners, industries and all levels of government — and it's an effort that's continuing. In other countries, too: Japan has told its top 13,000 electrical consumers to reduce their power consumption by one per cent, or be fined.

The level of electrical consumption growth that triggered Finland's concern and the resulting action?

Forecasts that energy use could grow by one per cent per year. In this province, Nalcor is forecasting increases in power consumption of one per cent per year — yet there's no corresponding broad-based concern about the need to conserve energy.

Here's the point: if we can reduce consumption enough, perhaps we won't need either multi-billion-dollar hydroelectric projects that will hike our electrical bills by 40 per cent or more, nor will we need to depend on fossil-fuel-powered plants like Holyrood that will increase our electrical bills (potentially) even further.

Nalcor has told the federal-provincial environmental panel reviewing Muskrat Falls that conservation won't work. Here's how the panel described Nalcor's response: "Nalcor's final position was that conservation and demand management alone could not result in savings that would negate the need for the project because the potential for conservation and demand management to reduce energy demand in Newfoundland and Labrador was marginal and insufficient to offset production from the Holyrood plant. Nalcor's stated reason was that Newfoundland and Labrador consumers have not had much experience with conservation and demand management and therefore participation rates in these programs have been low."

Ouch. With the sheer costs involved, you'd think we could learn.

- 27 Aug 2011
- The Telegram (St. John's)

Muskrat Falls and changing terms

In The Telegram of Aug. 15 there was a front-page article by Steve Bartlett titled, "Upper Churchill looms over Muskrat Falls planning."

Good. Great. There is nothing like the spectre of your own doom to help you concentrate your mind.

I hope and trust everyone working for Nalcor is familiar with the research paper "The Origins of a Coming Crisis: Renewal of the Churchill Falls Contract" by economist James Feehan and historian Melvin Baker of Memorial University.

Please remember this, Mr. Martin and company: if you are presented with an eleventh-hour ultimatum by either a customer or partner or even a politically motivated boss, you are out way past your curfew. Home. Now.

There are two more events (in the future, not the past) looming on the horizon that should be considered by Nalcor and the provincial government before Muskrat Falls is given the go-ahead.

One is the court case Churchill Falls Labrador Corporation (CFLCo) has filed against HydroQuébec seeking a measure of fairness in the Churchill Falls contract.

The other is the coming boundary dispute with Quebec over the Old Harry oil and natural gas field in the Gulf of St. Lawrence.

Either or both have the potential to radically change energy planning in this province.

Quebec is justifiably proud of its civil code.

It is one of the pre-Canadian Confederation attainments that make that province distinct.

Let us hope the Quebec civil code court is informed with a spirit of equality and not venality.

Also, that Jean-Claude Lessard, the first Hydro-Québec president and former federal deputy minister of transport (member of the steering committee of Ottawa's Interdepartmental Committee on Newfoundland, 1948-1949) national hero in Quebec.

Newfoundland and Labrador is at its finest when it comes to boundary disputes. Bar none, we are the champions.

Twice in our history we have engaged a neighbour (Canada, leading up to the 1927 decision on the location and definition of the boundary on the Labrador Peninsula and with Nova Scotia over the Laurentian Sub-Basin) and in each arbitration case we were awarded much more than anyone expected. Three's a charm. Bring it on. En garde, monsieur.

is not a

In closing, I will offer a bit of information to anyone busy beavering away (muskrattng away?) at the ministries of Justice and Natural Resources on Newfoundland and Labrador's future claim in the Gulf of St. Lawrence.

According to a short piece in David Suzuki's CBC series "Geologic Journey," the rocks of Anticosti Island (Quebec's nearest large land mass to the Old Harry formation) are very different from the Appalachian rocks of this province's west coast and its offshore area.

- 27 Aug 2011
- The Telegram (St. John's)

Nalcor revelations unsettling

When Nalcor corporate officials met with The Telegram editorial board recently, they finally acknowledged the fatal flaw in Nalcor's Muskrat Falls development plan.

In doing so, they hoped to bolster the case for the proposal, but instead destroyed it. Ed Martin, Nalcor's head man, must be furious, especially after his false boast in Toronto of having "the deal in his back pocket."

At the meeting, Nalcor vicepresident Gilbert Bennett said, “The potential success of Muskrat Falls does not hinge on the sale of excess power ... not one kilowatt needs to be (sold) stateside ... No revenue has been budgeted from selling extra power.”

Does anyone in the province still believe Nalcor would not avidly gobble up any “export” cash conceivable available, if there were any? The fact none is so budgeted is simply because none is there to be had. Even break-even costs at transmission’s end (after some 2,000 miles, with two sub-sea links) puts any sale, profitable or otherwise, strictly out of the question.

At last, confirmed truth. Previously, hints of much “revenue” (never profits); even now, Mr. Barrett cites hypothetical “New England market (buying) two million kilowatt hours (kWh) ... which would be worth \$100 million.” Where in the wide world does anyone purchase electricity at \$50 per kWh? He must have drunk too much coffee!

What does this belated admission mean for put-upon Labrador and island rate payers? Nalcor wants her/him to fund the generation of 4,900 million kWh annually whilst getting only 2,000 million (40 per cent) — paying about \$500 million per year for \$200 million worth. “Muskrat Falls is the cheapest...,” wah, wha, wha — never facts.

Note — even 2,000 million kWh is unnecessary for the Holyrood close-out, 1,300 million would do just nicely, i.e., the average annual useful output. This can be readily found without Muskrat Falls, as I have written in a previous letter.

How can Nalcor do its math this way (irreverently labelled, “voodoo” economics)?

Apparently only by co-opting PUB’s statutory right to set provincial electricity rates — Nalcor would take over to enforce payment to cover its totally unnecessary capital expenditures.

Nalcor seems completely out of control.

It is difficult to see who sets energy policy — stonewalling, nonaccountable, appointed executives, or parroting, intimidated, elected persons.

Let’s have some logic and constitutionality here.

27 August 2011

Editorial

A Big Gamble

Could not be transcribed

24 August 2011

Letter by Arthur Elkins

Could not be transcribed.

- 20 Aug 2011
- The Telegram (St. John's)
- BY ROGER GRIMES
- Roger Grimes, a former Liberal premier of Newfoundland and Labrador, writes from St. John's.

Editorial board on Muskrat Falls raises more questions

In November of last year when the premier of the day announced the term sheet to develop Muskrat Falls, he was fully supported by his natural resources minister and deputy premier, Kathy Dunderdale.

They touted the deal by proclaiming that it now allowed us to bypass Quebec, breaking its stranglehold on our ability to export power to “lucrative eastern seaboard markets” and to provide some much-needed competition in that marketplace.

Dunderdale could hardly contain her glee at the time.

How must Dunderdale feel now? The Telegram's series of articles, written following an editorial board meeting with senior executive members of Nalcor, clearly indicates that the export of power has little, if anything, to do with the Muskrat Falls project.

Gilbert Bennett disclosed to The Telegram that the project stands on its own merits, even if none of the energy is ever exported into the eastern seaboard marketplace. He also suggested that if any energy is sold for export it will gather a minimum price at best and that “we have no revenue budgeted from its sale.”

Bennett further stated that the total cost of the project can and will be covered by our own use of 40 per cent of the energy to replace Holyrood. In other words, we as the consumers and rate-payers in this province will pay to develop 100 per cent of the energy through our electricity bills while Nova Scotia gets 20 per cent of the energy free of charge and the other 40 per cent may or may not be sold.

If the remaining 40 per cent is ever sold, Bennett suggests it would be “gravy.”

The day after the announcement, Dunderdale refuted my public statement that Emera, the Nova Scotia partner, would get 20 per cent of the energy free of charge for 35 years. Her exact words on a local radio program were “Now, you would have to have quite the imagination to suggest that is free power.”

Bennett must have quite the imagination because he restated to The Telegram that Emera will indeed receive 20 per cent of the energy for 35 years and Nalcor will not receive any revenue for that 20 per cent. I think that means it is free.

So now the real story has emerged. According to Bennett and Nalcor, this project is all about the need to replace Holyrood and nothing at all to do with exporting power or breaking Quebec’s stranglehold. As a matter of fact, Bennett suggests the real Lower Churchill project at Gull Island might begin as early as 2014 and that the only way to get the energy to market is “by going through Quebec.”

That brings me to the supposed need to replace Holyrood. Nalcor suggests that energy demand in this province is increasing steadily. However, to my knowledge, no one else has been allowed to see their actual projections of demand growth and the assumptions upon which they are based.

There were disturbingly inconsistent responses when Nalcor’s executive were asked about the increasing demand and the so-called emerging energy shortage. As a matter of fact, two different answers were given. Bennett declared that there will definitely be energy shortages by 2015 and therefore we must act now. However, Dawn Dalley, Nalcor’s communications director, stated at the same meeting “if the Muskrat Falls project doesn’t go ahead, the lights will stay on.”

Which is it? Every report I was ever party to as energy minister and premier suggested it was the latter.

The other rationale provided by Nalcor for replacing Holyrood was the high cost of fuel used to run the plant. Documents produced by Nalcor show the fuel price at Holyrood averaging over \$80 per barrel this year and steadily increasing to over \$150 per barrel in the next 20 years.

Meanwhile, in the last 10 years since 2000, Nalcor’s own documents show that the fuel used at Holyrood had never exceeded \$75 per barrel and had averaged just \$45 per barrel during that time.

What information has been provided to Nalcor and Dunderdale to convince them that fuel prices at Holyrood will more than double in the next 20 years? Why can’t the rest of the province obtain access to the same information?

Another inconsistency arose at the editorial board meetings with regard to wind power. In a news release announcing the purchase of energy from existing wind power projects, Nalcor stated “wind power saves \$7 million per year for the 20 years of the purchase agreement compared to the cost of Holyrood power.” That was stated within the last year.

Now, Bennett states to the editorial board that “wind power costs eight or nine cents per kilowatt hour, which is more expensive than the fuel at Holyrood.”

I contend that it cannot be both. Either wind power saves \$7 million per year or it is more expensive — which is it?

The more I hear and read, the more questions arise. I encourage the continued attempts to get to the facts. There is only one consistent fact so far; if this project proceeds, we will be the ones paying for it and our electricity bills and our public debt will definitely rise dramatically.

Why is Dunderdale proceeding with a project that sees her own constituents in St. John's paying more for electricity while residents of Halifax get to pay less? Has she forgotten who she is supposed to represent?

- 16 Aug 2011
- The Telegram (St. John's)
- BY AUBREY SMITH Aubrey Smith writes from Grand Falls-windsor.

This ain't no field of dreams

At first glance it seems that Muskrat Falls is a win-win situation, but still something seems to be missing.

Emera, the once Nova Scotia Crown corporation-cum-private corporation, will do well. This private corporation, now gobbling up assets in New Brunswick, New England and the Caribbean, has only profit and expansion as its prime motives, not service to the people. It's quite successful at what it does.

Hardly a gamble

Emera is investing \$600 million for a 29 per cent stake in the Labrador-Island transmission line from Muskrat to Soldier's Pond near Holyrood which will be placed under the direct jurisdiction of a newly minted company. This act takes no great courage on Emera's part because our Public Utilities Board will guarantee a rate of return from which Emera will get 29 per cent of the profits of that company.

Emera will also pay \$1.2 billion for the construction of an underwater line from Cape Breton to Port aux Basques with Nalcor paying 50 per cent of any cost overruns. In return, the Emera private company will receive 170 megawatts of free power for 35 years. That's just over 20 per cent of the power produced at the Muskrat site.

We, in turn, may send 300 megawatts of this power into the Maritimes with tariffs applied all along its transmission route by Nova Scotia, New Brunswick and Maine. That leaves 354 very expensive megawatt hours for our own use.

Can we use it? Do we have Maritimes or Maine pledges for the 300 megawatts? And at what projected cost per megawatt hour?

It seems Nalcor has a brilliant solution — let's sell it on the spot to any instant request by pricing it at four to 10 cents per kilowatt hour while here we would be paying 20 cents for the same power.

Benefits for others

So Emera does well. Our neighbouring provinces and Americans may get cheap power if they need it. Quebec, I am sure with an eye on Churchill in 2041, will be watching to see what loose opportunities might result from the Muskrat deal while we in Newfoundland and Labrador watch our hydro bills double from 9.6 cents to 20 cents per kilowatt hour without any safety net for local consumers. That's what's missing — concern for the local taxpaying consumers.

In short, we are at the bad end of a suspect deal.

It seems everyone is provided for except local consumers. Now there's a business model for emulation: consider every player except the Newfoundland consumer who will pay his bill for the rest of his life.

Was it necessary to take us for granted as the fish merchants long took their captive fishermen for granted and held them in perpetual servitude? Of course not.

Our government, if this spurious project sees the light of day, must also respect local rate payers. No one should expect the price of hydro to double in such a short a time period.

Our government must go back to the drawing board and bring in a form of subsidization for local consumers over an extended period of some decades.

If this government believes in its own ability to grow our economy and to utilize our forestry, hydro and mineral resources, and is willing to provide a top-notch education at minimal cost to every aspiring youth, such a subsidy will see our family of baby boomers comfortably eased into our graves instead of into an abrupt penurious state.

Why must we be so careful to please every player but yet be willing to ignore the Newfoundland and Labrador consumer with the baseball mentality of "if we build it, they will pay for it"?

Kathy Dunderdale, what Danny Williams conceived and what you inherited is no field of dreams.

- 13 Aug 2011
- The Telegram (St. John's)
- BY RICK BOUZAN
- Rick Bouzan writes from St. John's.

Done deals and lots of letters

I have never before seen as many articles written to The Telegram by one person — in this case, Gilbert Bennett of Nalcor.

As an employee of Nalcor with a salary, I assume, of over \$200,000 being paid for by me and the taxpayers of Newfoundland and Labrador, I was wondering what his job actually is.

I sincerely hope that the taxpayers aren't paying this huge salary for him to write letters to the editor and repeat and repeat and repeat the same old message from Nalcor — we need Muskrat Falls.

Because we do not need Muskrat Falls.

I assume Nalcor's position is if they repeat the message enough, people may believe it. Mr. Bennett has written so often to The Telegram that I was beginning to believe that The Telegram had a new fiction section. Mr. Bennett's latest work was seen in The Telegram of Aug. 6 ("Answers from Nalcor").

His statements like "with the immediate need to build generation to meet the island's energy requirements, a decision to develop Muskrat Falls was made in 2010."

Does this mean that Nalcor — not the government nor the people — has already made the decision?

If so, why is there an audit being done by Manitoba Hydro?

I shouldn't say audit because according to Premier Kathy Dunderdale, Natural Resources Minister Sean Skinner and Nalcor, the audit is to be very selective with an extremely narrow focus — hardly a

Where is this independent and full audit promised by Premier Dunderdale? If the decision is already made, then the audit by Manitoba Hydro can only be seen as smoke and mirrors to fool the people.

Does this also mean — since Mr. Skinner and Premier Dunderdale imply that the decision is done — that the need for environmental assessment studies on the island link and the gulf link are also smoke and mirrors?

Are the feds going along with this?

If so, this is once again a huge waste of taxpayers' dollars.

In his letter, Mr. Bennett writes that Muskrat Falls will: "provide us with the ability to export power from new energy projects (plus any surplus power from Muskrat Falls)."

Premier Dunderdale (on several occasions) and ministers Skinner and Marshall said that there would be no excess power from Muskrat Falls, as all the power will be used on the island.

Now I'm confused — because if our power lines from Muskrat Falls to the island can only carry 800 megawatts of power and the undersea line from the island to Nova Scotia can only handle 500 megawatts, how can any power, real or imaginary be sold anywhere, especially since Nalcor, at its AGM, said that there are no buyers for our power?

Remember, Emera will own 20 per cent or more of any power coming to the island for 35 years. Sounds like another Upper Churchill deal to me, and if so, will only Emera and Emera shareholders benefit?

Another piece of fiction in Mr. Bennett's letter is "Emera has assets and access to markets in Atlantic Canada and New England that we can access to transmit our surplus power." What surplus power? Even if there were surplus power, there are no power lines in Atlantic Canada or New England that could handle the power.

Mr. Bennett also states "Nalcor closely examined other options to meet the island's electricity needs including wind development." If so, let Manitoba do a full audit of this and release these studies to the public.

A well-respected former PC cabinet minister, John Collins, said Muskrat Falls is not feasible now.

The Liberals and NDP have said the same. So have dozens of wellcredentialed people, and the editorial board of The Telegram has also questioned the Muskrat Falls deal.

I was shown documents, from Nalcor itself, that showed that there was no demand for increased power to the island.

This increased demand for power seems to exist only in the halls of Nalcor.

It all appears to be fiction. Unfortunately, if these people force Muskrat Falls on the people of Newfoundland and Labrador, then we will be saddled with a possible doubling of our provincial debt and a doubling of our electric bills.

We, the people, will have to pay these huge bills — possibly by large tax hikes.

Wade Locke, in his now-famous talk, said that the government has to stop spending right now or the province will face a huge financial crisis in a very short time.

Remember: the government has already taken three-quarters of a billion dollars of taxpayers money and given it to Nalcor. What has Nalcor done with it? It seems Nalcor is paying someone over \$200,000 a year to write letters to the paper trying desperately to convince the people that this is what we need. We do not need power now, nor do we need a doubling of our electric bills and our provincial debt. Remember Greece and now Italy. Demand that your MHA tell Premier Dunderdale to give us the truth behind this whole issue.

Why did no other very wellqualified MHAs run for the premiership?

Surely it wasn't for someone's legacy?

The people need to demand a full and independent audit — the one Premier Dunderdale promised. If not, then don't vote for them. Remember the famous saying “the devil is in the details.”

Remember: Mr. Bennett's letter has already stated that the deal is done. Did you approve this? I didn't.

- 12 Aug 2011
- The Telegram (St. John's)
- BYMAURA BEAM

The devil and the details

I read with interest last weekend the letter to the editor from Gilbert Bennett, “Answers from Nalcor,” who was responding to earlier letter writers who have raised numerous concerns about the Muskrat Falls project.

I realize Mr. Bennett is vice-president of Nalcor and the primary executive responsible for promoting the project and trying to manage public opinion about it. However, his letter raised more questions than it answered.

For one, is Mr. Bennett a professional engineer and does he have any experience working on big hydro projects? I understood his background was in the cable television business.

When Mr. Bennett says, “We are staging these projects from a construction and project management perspective,” what exactly does that mean? Big words, yes. But what does he mean?

When he says that Muskrat Falls will enable “wind and other energy developments in the future,” why won't Nalcor look at wind developments as an alternative to Muskrat Falls now?

When Mr. Bennett claims Emera's Maritime Link, which this province can buy for \$1 after 35 years, is the type of asset that is "proven to have a life of at least 50 years without any significant upgrades," where's the proof ?

Has Nalcor really examined all the alternate scenarios? If so, provide the details on what they are and why they were rejected.

Why won't Nalcor allow private wind power development on the island? Is Nalcor a dictatorial power onto itself ?

Why isn't the Auditor General permitted to review Nalcor's books and why is this taxpayer-owned Crown Corporation exempt from many of the provisions of the Freedom of Information Act?

The Progressive Conservative Party has traditionally and philosophically been the party of the "right" in politics and tried to paint itself as pro business and in favour of helping small businesses create employment and wealth. But not any more.

The same PC party that alternately ignores then attacks pharmacy owners (who are small business people), tries to run the rest of the province like a Soviet-style command economy, even managing to expropriate whole paper mills by accident.

Under the leadership of Comrades Kathy Dunderdale and Tom Marshall, the government tries to control everything, even public debate. Hence the orders to Nalcor to shut down any questions from the public concerning the Muskrat Falls project.

Unfortunately for Comrades Dunderdale and Marshall and their silenced colleagues sitting around the PC Party politburo, every time a Nalcor executive tries to control the debate, it just raises more questions about a deal that looks more and more like the biggest giveaway in our history since Churchill Falls.

Maura Beam writes from St. John's.

- 8 Aug 2011
- The Telegram (St. John's)

Different stories in different provinces?

I would like to comment on an article that appeared in the June 13 of The Toronto Star which seems to have escaped the attention of the news media in this province.

The article discusses an interview by John Spears with Ed Martin, CEO of Nalcor, regarding meetings he was having with the Ontario Power Authority and other energy officials, eyeing

Ontario as a customer for the next step in the Lower Churchill, the 2,250 megawatt Gull Island project.

Your readers may be interested in what was discussed in this interview:

- In the article, Martin gave a timeframe for completion of the Muskrat Falls project — 2017. The Gull Island project, which is still in the environmental assessment process, would be about three years behind Muskrat.
- When questioned on price to Ontario, Martin wouldn't discuss Nalcor's asking price for the Lower Churchill but insists it's a good deal: "We know we're competitive or we wouldn't be here." (Ontario's wholesale market price of power has averaged 3.15 cents a kilowatt hour so far this year.) The price for consumers in this province for Muskrat power is estimated at between 13 and 16 cents per kilowatt hour. Will the cost to consumers in this province be reduced when the Gull Island project is completed?
- Martin stated "he has one deal in his back pocket — a \$6.2-billion deal with Emera Inc. to develop the 824-megawatt Muskrat project." (It was my understanding the document they signed last fall was a term sheet and we had until Nov. 30 to conclude an agreement.)
- One big hurdle remains however: if power from Gull Island is to get to Ontario it will have to move through Quebec, directly to Ontario. "Though a deal is not yet in sight, Martin remains optimistic, even as lawyers for the two sides spar in Quebec courts." (If Nalcor succeeds, will there be a need to build an undersea cable from Newfoundland to Nova Scotia?)
- Quebec gets upgrades to its own transmission network, plus \$160 million in fees for allowing Labrador power through its territory. (Presumably, we will have to pay the upgrade costs and has this price been determined?) Also is the \$160 million annual fees or a onetime cost? Also, in order to arrive at these costs, we must have indicated to Hydro-Québec how much capacity we will require on their grid. What quantity are we requesting?
- There has been a lot of public comment on wind power recently. Martin stated Nalcor hopes to develop 5,000 megawatts of wind generation. (This is almost the equivalent of the Upper Churchill's 5,200 megawatts.)

It appears there are a number of questions that still need to be addressed. Burford Ploughman St. John's

- 30 Jul 2011
- The Telegram (St. John's)
- BY CRAIGWESTCOTT
- Craig Westcott is communications director for the province's official opposition, but writes here as a private citizen from Conception Bay South.

Muskrat Falls and expensive assumptions

The business case for Premier Kathy Dunderdale's Muskrat Falls deal is based on three very risky assumptions.

The first assumption is that demand for electricity is going to increase dramatically. According to Ms. Dunderdale and Nalcor, 40 per cent of Muskrat Falls production, or two terawatt hours a year, will be immediately needed on the island starting in 2017 in order to replace Holyrood and meet consumer demand. The sale of that power is also being used to wholly finance the plant at Muskrat Falls and the transmission line to the island.

But here's the rub: 40 per cent of Muskrat Falls' production is more than double what we take from Holyrood now.

Over the last decade, our reliance on Holyrood has been declining almost annually. Last year it provided about 11 per cent of Nalcor's total electrical production on the island and even then it was only needed during the five or six coldest weeks of winter. For the rest of the year, there is a vast surplus of power on the island from hydroelectric sources such as the hydro plants at Bay D'Espoir and Cat Arm.

While Ms. Dunderdale and Ed Martin of Nalcor claim we will need all of that 40 per cent of Muskrat starting in 2017, they haven't adequately explained why our demand is going to increase so much. True, the nickel refinery at Long Harbour will be in operation by then, but as stated above, there is already enough surplus energy on the island to accommodate it, except for five or six weeks a year.

What's troubling is this: what if Ms. Dunderdale and Mr. Martin are wrong and our demand doesn't increase enough to use all of the production coming from Muskrat? We will still have to pay Muskrat's total production cost. The difference is, the per unit cost charged to each household will then be much higher than the 14.3 cents per kilowatt hour that is estimated now. The revenue stream to Nalcor will not change, but the amount we pay as individuals will go up dramatically if Ms. Dunderdale's demand projections are wrong.

The people of this province should note that since 1992, our population has declined by some 80,000 people. It has since leveled out, but is not increasing at a rate that would support the energy demand projections being claimed by Ms. Dunderdale and Nalcor. In addition, we have the fastest aging population in Canada.

Our workforce is shrinking, meaning that over the amortization period of this project, there will be fewer working adults to pay taxes to cover the debt on Muskrat Falls. At the same time, increasing numbers of people will be moving onto pensions as their chief means of support and will be unable to afford exorbitant increases in the cost of heating and lighting their homes.

Second pitfall

The second assumption underlying this project is that it will come in on budget at \$6.2 billion. That's a big assumption. Recently, Canadian Press obtained one of the so-called independent audits of this project conducted for Nalcor. It is apparent from reading it that just weeks before the project was announced last fall, Nalcor did not have a good handle on the actual costs of the project.

It was also apparent that Nalcor officials were under considerable time pressure to come up with new numbers to justify the Muskrat project after a sudden and unexpected political decision to switch from a full Lower Churchill project that would have included exporting power from Gull Island to one that sees Newfoundland consumers as the only paying customers.

Here's something else to consider: in 1998, when this province and Newfoundland Hydro proposed to build an 800 megawatt power line running 1,125 kilometres from Labrador to Soldier's Pond on the island, the estimated cost was \$2.2 billion.

Fast forward now to the present and Nalcor wants to run a 900 megawatt line of similar length, also to Soldier's Pond, but says the cost will be \$2.1 billion.

Ask yourself how it is possible to build a bigger line for less money today than it would have cost 13 years ago. Over that period steel prices have increased, copper prices have gone up and labour costs have risen substantially.

Recently, a similar type hydroelectric plant being built in British Columbia was reported to be some \$2 billion over budget. In fact, studies show most hydroelectric projects of this type run significantly over budget. The chances that Muskrat Falls will come in on budget are slim to none. It is very likely to run over budget, especially if the cost estimates were rushed.

The consequences are clear. If Ms. Dunderdale's and Mr. Martin's cost estimates for Muskrat Falls are wrong, the per unit cost for electricity charged to users on the island will be substantially higher than the 14.3 cents per kilowatt hour they are projecting now.

Risk No. 3

The third assumption that Ms. Dunderdale and Nalcor are making is that interest rates will not go up. In the House of Assembly this past spring, the Liberal Opposition asked both Premier Dunderdale and Finance Minister Tom Marshall what the interest charges will be on the loans to finance Muskrat Falls. Neither one of them would answer the question. However, in one of several briefings with Nalcor officials, Mr. Martin told the Opposition members and staff that the estimated cost of financing Muskrat Falls is \$800 million to \$900 million on top of the construction cost.

The chances of interest rates going down over the borrowing period attached to this project are negligible. It is more likely that interest rates will go up. Inflation in some world markets, such as China, have economists predicting that it is only a matter of time, perhaps six months or so, before base interest rates rise. When that happens, all other interest rates will go up too, including those attached to financing a megaproject such as Muskrat Falls.

Again, if interest rates rise during the borrowing period of this project, the overall cost of building and paying off Muskrat Falls will increase substantially. That means the per unit cost of electricity charged to the Newfoundland consumer will also increase substantially and weigh in at much more than the 14.3 cents per kilowatt hour that Ms. Dunderdale and Mr. Martin are forecasting.

The bottom line for Newfoundland and Labrador residents is that the Muskrat Falls project contains unacceptable financial risk. Unlike all previous incarnations of proposed Lower Churchill projects, in which the targeted customers were the tens of millions of people living in New England and Ontario, the only identified paying customers for this project are some 240,000 households on the island of Newfoundland.

Mr. Martin has admitted that we, the electricity consumers on the island of Newfoundland, are the only identified buyers of this energy. He has confirmed that there is no other stream of revenue from any other buyer that Nalcor can take to the bank to finance this project. So any increases in the cost of this project will be borne entirely by the taxpayers of this province and energy consumers on this island, who are one and the same people.

If any of the three assumptions being made by Ms. Dunderdale and Nalcor are wrong, the financial effect will be extremely burdensome. If two or even three of the assumptions are wrong, as is very possible for the reasons outlined above, the financial effect on this province will be calamitous.

Recently, Memorial University economist Wade Locke predicted that starting next year, the government of Newfoundland and Labrador is facing a decade of deficits ranging as high as \$1 billion a year over the next 10 years and that our provincial debt will skyrocket unless we take dramatic action. And that's without the cost of Muskrat Falls factored in.

If we proceed with Muskrat Falls and it turns out the assumptions being used by Premier Dunderdale and Nalcor are wrong, this province will face a debt crisis equivalent to that now being experienced in Greece, where the government can no longer pay its bills and basic services such as health care and education are in imminent danger of collapse.

Is that the future you want for you and your family?

I advise everyone to examine this deal on Muskrat Falls closely. Time is running out. It is being rushed forward for official approval by Nov. 30 this year.

When a political candidate shows up on your doorstep this fall, of whatever political stripe, please ask whether he or she has read the term sheet on Muskrat Falls and where the person stands on the project.

Unlike the Churchill Falls fiasco, this time we are undertaking a historic mistake with our eyes open. If this deal is as disastrous as I believe it is, we'll have nobody such as Brinco or Joey Smallwood to blame it on. The blame will rest squarely and fully upon all of us as Newfoundlanders and Labradorians.

That is not the kind of legacy I want to leave my children.

- 30 Jul 2011
- The Telegram (St. John's)
- Maurice E. Adams Paradise

Bad numbers from Nalcor

Nalcor says that one of the key reasons that we must move forward with the Muskrat Falls project is because that in future the cost of oil for the Holyrood thermal generating plant will be unsustainable.

In support of this position, Nalcor's forecast model predicted that for the year 2010 oil for Holyrood would cost more than \$129.2 million, and in the longer term, that between 2010 and 2036 the total cost would be more than \$9.1 billion.

But the facts (limited though they are) seem to tell a different story.

In 2010, the actual cost of oil for Holyrood was not (as forecasted by Nalcor) \$129.2 million, but \$100.6 million — almost 29 per cent lower than what Nalcor's forecast model claims (and this 29 per cent forecast inaccuracy occurred even though Nalcor needed to predict costs for just one year into the future). If this "year one" forecast inaccuracy were corrected and applied to the entire 27-year forecast period, then Nalcor's forecast oil cost for Holyrood over that 27-year period would be \$2.6 billion less than what Nalcor's forecast model claims.

While \$2.6 billion is far from being an insignificant amount of money, it seems to me that this inaccuracy and lack of reliability in Nalcor's forecasting (even when looking only one year into the future) brings into question the accuracy and reliability of all of Nalcor's long-term (up to 57 year) forecasts.

If estimated (forecast) costs, project over-runs, borrowing needs, debt servicing costs, electricity demands and other project forecasts are not accurate and not reliable (and to a large extent the viability of the Muskrat Falls project is predicated on these forecasts), what does this say about whether or not this project really is needed, and what does it say about its economic viability?

- 26 Jul 2011
- The Telegram (St. John's)
- Russell Wangersky Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Stuck on the message track

You've got to feel a little bit sorry for Nalcor. They're following the rules, staying on point and on message as they try to respond to criticism of the Muskrat Falls project.

But the criticism just keeps coming, and Nalcor's message — although consistent — is starting to sound repetitive.

There have been, in the last few months, more and more letters to the editor — and generally, more and more expressed public concern — about the cost of the project and, in particular, the cost implication that everyone cares about most: their own power bills.

Nalcor hasn't ignored those concerns.

In fact, it has tried to stay ahead of them.

It's right out of a communications textbook: Nalcor's answers are always low-key, respectful and always repeat the message that Muskrat Falls is the lowest-cost power available to address an energy crisis it sees as looming in the province's immediate future.

Many Nalcor letters end like this: "For additional information, we've published several blogs about wind which can be found on the Nalcor Leadership blog www.nalcorleadershipblog.com." (Sadly, the blog often includes the same information already sent out as letters to the editor, so the message seems even more like simple repetition.)

And it's not just letters: Nalcor's boss, Ed Martin, has made himself available for everything from mornings on open-line radio to one-on-one meetings with critics to explain the company's position. Availability isn't the problem.

The problem is, the letter-writers keep coming at the issue from different directions, barbarians storming the Nalcor castle from the front and back, above and beneath, and that leaves the Nalcor responses — "Muskrat Falls is the best of the two major options we considered" — looking stilted and formulaic.

Not only that, but as in many bureaucracies, it takes a while for Nalcor to respond.

When it answers a letter-writer five days after the letter appeared in the paper, that's a major rear-guard action.

It's not helped by the fact that the responses are seamless but remarkably similar — a variety of people write or respond on Nalcor's behalf, and magically, they all sound exactly the same. The mantra's getting stale. It's not always on point, either. Faced with an editorial that points out that Hydro-Québec is bringing 2,000 megawatts of wind power onstream at 8.7 cents a kilowatt hour (and asking how Muskrat Falls can compete with power that will cost 14.3 cents a kilowatt hour) Nalcor responds that wind power isn't a dependable option and that it isn't being considered right now.

It doesn't answer the competitiveness question, nor does it have a clear answer for why Newfoundlanders and Labradorians will have to pay 14.3 cents a kilowatt hour for power.

Meanwhile, outside the province, Muskrat Falls power will sell for what the market will bear — and that's far lower than 14.3 cents, and will be for the foreseeable future, even before you start factoring in the costs of wheeling power through the grids in Nova Scotia, New Brunswick and everywhere else.

Now, you can expect that letterwriters and other concerned citizens will start to question whether natural gas might be a more effective way to generate electrical power for the upcoming demand, and whether the cost of a Grand Banks-based natural gas operation — costed out at something around \$1 billion several years ago — might not be a far cheaper option than the \$6.2 billion it will cost to build Muskrat Falls.

The answer to that? Be ready for “natural gas wasn't among the two successful scenarios that passed our pre-screening process, and of those two, Muskrat Falls is the lowest-cost alternative.” (Sorry to put words in your mouth, Mr. Nalcor, but I've heard those words too many times.)

You can't complain that the utility isn't proactive and you can't say it's not trying to get the message out.

Nalcor tweets, it Facebooks, it blogs — they're trying, for sure.

Nalcor's on message, without a doubt. But that message doesn't seem to be hitting the mark.

- 26 Jul 2011
- The Telegram (St. John's)
- BY PAUL R. BALDWIN Paul R. Baldwin writes from Carbonear.

Why isn't the premier answering the questions?

Recently, Nalcor president Ed Martin spent two and a half hours on VOCM'S “Open Line” trying to sell the Muskrat Falls deal to Newfoundlanders.

At more than \$500,000 a year in salary, benefits and bonuses (The Telegram, May 15, 2010), he seems like a pretty expensive communications person for Premier Kathy Dunderdale.

It begs the question, why is she not taking questions and explaining why we should let our energy prices double while we sell the same power to people in the Maritimes for half price?

The decision to proceed with Muskrat Falls is a political decision and it should be the politicians who have to answer for it, not Mr. Martin, who reports to the premier.

Some questions

However, since the premier isn't taking questions on her \$6.2-billion project, let me run a couple of things by Mr. Martin.

On several occasions in the media, including on CBC's "Here & Now," NTV's "Issues & Answers" and CBC's "Radio Noon," I've heard Mr. Martin offer conflicting statements about the purpose of the Maritime Link and why this province has agreed to give free power to Emera Energy of Nova Scotia for 35 years.

On some occasions, Mr. Martin has characterized it as a tradeoff: they get our power for free in return for letting us use their line to export power into the Maritimes and New England.

When it is pointed out that Nalcor has no advance power purchase agreements in place, which is very unusual for a project of this size, Mr. Martin has replied that Nalcor doesn't want to sign such deals with energy buyers outside the province because at some point Nalcor may want to retain all of Muskrat's power here at home.

If we intend to eventually keep all that power for ourselves — though I don't know where the demand is going to come from to support that — why did Ms. Dunderdale and Nalcor agree to give Emera free power for 35 years?

Why give away free power for 35 years if we may not use the Maritime Link or only use it for a few years?

No capacity

I would also like to point out that Vermont Gov. Peter Shumlin recently told CBC's "Radio Noon" that, currently, there is no transmission capacity to move power from Labrador into New England.

We heard a similar thing last fall when Emera admitted that in order to transmit Muskrat Falls power into New England, hundreds of millions of dollars in infrastructure upgrades would be needed and that they're not sure it's worth it for them to do that.

Good deal

The more likely scenario is that Emera will buy all our excess power for use in Nova Scotia where they are trying to get off coal as their main source of energy.

In that case, Emera will get 20 per cent of Muskrat's power for free and pay market prices of two to nine cents per kilowatt hour for the rest while consumers here in Newfoundland will be forced to pay 14.3 cents per kilowatt hour.

I ask Mr. Martin, since the premier is not taking questions, why should we, the owners of the power, pay twice as much for our own power as people in Nova Scotia, who won't have to borrow a cent to finance this project?

Mr. Martin, why did you agree to this giveaway?

- 25 Jul 2011
- The Telegram (St. John's)
- Tom Careen Placentia

Mr. Jones misses the point

Nalcor executive leaves out important wind-power example

I write concerning Mr. Greg Jones' letter to the editor ("Why Nalcor's not looking for wind power") in The Telegram of July 21.

Mr. Jones is the manager of business development with Nalcor Energy and his letter can only be seen as an apologia for the "All aboard the bandwagon" cry that Muskrat Falls development is the best, least-cost option for this province.

Not two, but three

Mr. Jones is being disingenuous when he writes of "the two private commercial wind projects on the island."

Nalcor Energy's business development manager must surely know of his employer's wind-diesel-hydrogen integration project at Ramea off the south coast.

So, are we agreed there are three wind projects in the province (even if one is not exactly on this island nor in Labrador)?

Using an opportunity

How about a transfer of technology (hardly high-tech) by Nalcor Energy from its success at Ramea to the wind farms at Fermeuse and St. Lawrence?

Then, how many barrels of fuel will be displaced (not burned) at the Holyrood generating station each year?

By the way, for those politicians and technocrats who hold up this province's energy plan like Moses of old held aloft the two tablets of stone, my copy of "Focusing Our Energy" proved to be poorly bound.

Coming unglued

While the paper was glossy and the booklet full of pretty pictures and various types of charts, the pages came unglued from the spine of the book.

Portland cement is the glue that binds water and coarse and fine aggregates together to make concrete. Truth and integrity bind a people to a leader.

- 25 Jul 2011
- The Telegram (St. John's)
- BY MAURA BEAM
- Maura Beam writes from St. John's.

Using numbers creatively

Is Nalcor cherry-picking numbers to make its Muskrat Falls case?

Please permit me the liberty to respond to Gilbert Bennett of Nalcor Energy who wrote a rebuttal, "A planned and prudent approach to Muskrat Falls" in your July 16 edition, to a previous letter of mine. At the risk of turning this exchange into a running debate, I want to thank the vice-president of Nalcor for taking the time to question my points.

Mr. Bennett correctly inferred that the lion's share of the recent 7.7 per cent rate increase regarding energy prices is related to the province's rate stabilization plan, which allows Nalcor to adjust its energy rates from year to year based largely on how much Bunker C oil is burned at Holyrood.

He neglected to point out, however, that the yearly rate stabilization charge is also based on Nalcor's forecast of what will be consumed at Holyrood for the coming year.

Big jump in oil

For instance, while Nalcor is projecting that it will burn some 1,878,188 barrels of oil this year, it is instructive to note that last year Nalcor burned only 1,362,373 barrels, a difference of more than half a million barrels, which at its forecasted average price of \$105.80 could result in a

significant difference in what consumers should actually be paying this year under the rate stabilization plan adjustment, should overall energy demands be about the same.

It is also worth noting that while Nalcor is projecting that it will burn almost 1.9 million barrels of oil at Holyrood, this year, in 2009 the actual amount consumed was just over 1.5 million, while in 2008 it was just over 1.7 million.

The trend of consumption at Holyrood appears to be downward.

Mr. Bennett's second point related to forecasting energy demand.

I am fearful that Nalcor is aggressively forecasting future energy demands on the island to justify the \$6.2-billion Muskrat Falls project.

Demand numbers correct?

While acknowledging that energy demand on the island has been down significantly the past six years due to the closure of pulp and paper mills at Grand Falls and Stephenville, as well as the closure of a paper machine at Corner Brook, Mr. Bennett claims demand is about to jump again once the Vale nickel processing plant goes into production at Long Harbour.

What Mr. Bennett fails to acknowledge is that there is already enough energy capacity on the island to handle Vale's requirements with the exception of perhaps five or six weeks a year when Holyrood comes on stream anyway to handle extra energy requirements in the greater St. John's area during the winter.

Lowest cost?

Finally, I have to question Mr. Bennett's claim that the Muskrat Falls project, which would see Nalcor and Emera build an 1,100 km transmission line from a generating plant in Labrador to a facility outside St. John's, is the lowest cost option to provide power to the greater St. John's area for the five or six weeks a year when it might be needed to replace Holyrood.

Half of the cost associated with Muskrat Falls power is the transmission of it from Labrador.

Surely development of smaller projects on the island, closer to the existing grid, would be far more cost-effective to meet any incremental increases in demand that the island may experience in coming years.

Those projects, combined with an expansion of the storage capacity to handle the existing surplus of energy that we have for all but five or six weeks of the year is an engineering matter that can surely be solved by the engineering staff at Nalcor to provide a lower-cost option for our future energy requirements than having to impress upon the residents of this province the sky-high power bills and mountains of debt that Muskrat Falls will bring.

- 25 Jul 2011
- The Telegram (St. John's)
- Maynard J. Clouter professor emeritus Department of Physics and Physical Oceanography Memorial University

Nalcor not telling the whole story

The following is in response to the letter to the editor “Why Nalcor's not looking for wind power” by Greg Jones (July 21).

Jones has again projected Nalcor's continuing deception regarding wind energy versus other sources of energy which he refers to as “reliable.”

What he fails to point out is that the latter sources can only be described as “reliable” for the very simple reason that in every case, provision has been made for energy storage.

In the case of hydro, it is provided by a very expensive dam and reservoir structure, and in the case of oil-fired generation, it takes the form of large storage tanks for fuel. When designed with sufficient capacity, these basic provisions make it possible to bridge long periods of drought and extended interruptions in oil delivery.

It is difficult to understand why Jones and Nalcor cannot find it possible to transfer this elementary logic to the case of wind energy development.

Yes, wind energy can be stored, and it is being undeniably demonstrated by a project which is championed by Nalcor itself in the town of Ramea.

The belaboured myth that large-scale, distributed wind energy development on the island is not feasible unless we are connected to the continental grid appears to have become a mantra, both on the part of Nalcor and government. The rationale seems to be that if it is repeated often enough it will become generally regarded as true.

It is not.

- 23 Jul 2011
- The Telegram (St. John's)
- Boyd Legge writes from Mount Pearl.

Questions abound on Muskrat Falls

This is a response to a letter to the editor in the July 2 edition of the Telegram titled “Holyrood, hydro power and your electric bill,” by Paul Humphries.

Mr. Humphries is a competent individual, as are the experts Natural Resources Minister Shawn Skinner recently referred to as being “professional,” however, they deliver only the view that supports the position of the people that butters their bread, rather than addressing the apprehension or fears of the public.

Mr. Skinner has also published a letter to the editor, “Muskrat Falls is the right choice,” indicating his — and the government’s — decision is final. The terms of reference prepared for the Public Utilities Board have been carefully readied and the cards have been dealt wisely to provide a winning hand for governments’ agenda, from the completion date of the review to the alternatives considered (island isolated) without prejudice.

Minister Skinner has limited the options to Muskrat Falls or island isolated as “these were the only options that provide the security, feasibility and environmental considerations” without addressing the least cost to consumers.

Disclose the numbers for public consumption of the many alternatives available (i.e. local unharnessed energy, 130 megawatts of excess energy on recall from Upper Churchill, importing energy from Nova Scotia). Can such developments delay the huge cost of Muskrat Falls development to 2041 when the energy outlook of the province changes forever?

There are many options and models used in demand forecasting.

Why not have PUB and the auditor general complete an entire review, before millions, if not billions, of taxpayers’ dollars are exhausted?

The minister appears to snub and disregard the concerns and questions of the public and consumers; this entire arrangement is built to sanction the government’s hunger.

The acknowledgement of the PUB review is an attempt to lower the concerns of the public and be seen as carrying out due diligence. The process is flawed, and is driven to produce an established purpose, political gain. Noticeable by his absence from the Nalcor annual general meeting, the minister of natural resources may have learnt from the questions and views of the public.

The meeting provided an opportunity for the general public to ask questions on the Muskrat development but only questions that could be answered by Nalcor. Any access to question governments' responsibility on the decision to proceed was lost, due to the failure of the minister to attend.

The ratepayers and taxpayers will be required to put their hands in their shallow pockets to fund the project through their utility bills and possible tax increases. Mr. Humphries went on to say the ratepayer will be punished by high electrical bills if our energy rates is not stabilized by Muskrat Falls energy, but why does it have to be Muskrat Falls energy? Does it not appear coincidental that the rate increase for 2011 of 7.7 per cent is the exact number that will provide the 37 per cent indicated by Nalcor over five years (2017), the same increase that will make the Muskrat Falls development occur as the best alternative? This process had taken two totally different routes to 2017 — but the cost to get there was identical although not related?

The energy requirement is driven by the load demand forecast; a presumption, a speculation. The PUB will not review this process, leaving the monopoly to forecasting to the model used by Nalcor. The completeness, the accuracy, numbers that must be verified by accountable and expert professionals. Nalcor and government appear to be quite comfortable in locked arms to avoid Quebec at all cost.

I have learned over the past couple of weeks, through attempts by MHAs such as the MHA from Mount Pearl South to defend the project on open line programs, how little they understand and how little they have researched the project.

However, they can stand in the House and support the development to proceed. Is it toeing the political line for fear of consequences? It appears 75 per cent of the sitting members on the government side are unable to discuss this project and answer relevant questions.

Ask your MHA during the campaign to explain the development and reasons why you should pay in excess of a 40 per cent increase on your utility bill, and ask them to explain why the Muskrat agreement signed with Emera is the best available option.

Then be prepared to vote on the response and the confidence you will have in your candidates' accountability and representation.

Nalcor is owned by the public, under control of elected officials. It retained profits from 2009 and 2010, along with \$700 million-plus from government and was required to show no accountability to the taxpayers.

Nalcor, in an attempt to sway public opinion, has invited vocal residents who have spoken publicly or shown concern for the viability of the Muskrat Falls development to private sessions. Is that fear of the negative context on the project, is the project rationalization vulnerable or weak, or is this a divide-and-conquer move by the company?

How confident is Nalcor in the cost of the Muskrat Falls project? Recently, I understand the corporation called a tender for a relatively small project as compared to Muskrat and the bid price was 100 per cent higher (labour only) than the Nalcor estimate.

Is this an indication of the Muskrat Falls development estimates?

If so, what effect would such an error have on utility bills and the province's debt?

It appears that the Dunderdale government has learned the art of political deception and spin doctoring very well, appearing to be open and transparent while enshrining secrecy in law is the brazen act.

What does the government of Newfoundland know that it doesn't want to share?

The PUB and the auditor general should be empowered and permitted to investigate and review every aspect of the Lower Churchill development and Nalcor.

Are the projected costs and pitfalls of this project vastly underestimated?

The cost overruns and delays in construction will ensure that the Muskrat Falls project will be overbudget and late in completion.

This project will add billions to the debt load of Newfoundland and Labrador.

Has government been sold a pig in a poke and is this the thin wedge of possible Hydro privatization for a cash-strapped, vulnerable province, something the residents of the province fought to stop in the early '90s?

Nalcor has indicated the cost of Holyrood energy is \$0.14 per kilowatt hour, the cost of isolated energy is \$0.06 per kilowatt hour and the blended rate on 2017 with Muskrat on line will be \$0.145. Something sounds fishy.

Maybe Nalcor can explain these numbers. I'm confused.

What is the actual cost of Muskrat energy estimated in 2017 delivered to the island per kilowatt hour? That's something the local residents can understand.

Was the Atlantic route chosen for fear of being out-foxed by Quebec? It appears it has been negotiated on emotion, not sound decisionmaking with level heads. It appears, unfortunately, we are signing an agreement to receive half a loaf.

- 23 Jul 2011
- The Telegram (St. John's)
- BYWILLIAM R. CALLAHAN
- William R. Callahan writes from St. John's.

‘Glaringly weak justification’ for hydro project

On the radio some days ago, Natural Resources Minister Shawn Skinner advanced a glaringly weak series of justifications for the largest government expenditure by far in all of Newfoundland history, some \$6.2 billion, for the Muskrat Falls project. He listed the following: (a) growing demand for electricity between now and 2017, occasioned mainly, it appears, by household electric heating;

(b) the need to stabilize (i.e. keep down) household electricity rates that he suggested are likely to increase by some 36 per cent over five or six years;

(c) energy security: this currently isolated province (no pun intended) must be prepared to receive power, believe it or not, in case of a shortage here, from the North American grid, by means of the Emera line to Nova Scotia that is part of the project.

With an apparently straight face, the radio host (Pete Soucy, of VOXM's "Back Talk") added the environmental benefit of shutting down the fossil fuel-burning (oilfired) generating station at Holyrood.

(Many people will have forgotten it was built as an insurance policy against, for example, sleet storms knocking our transmission lines from the island's main generating source at Bay d'Espoir. Thanks to a total lack of foresight and planning, it is serving as a supplementary energy supplier at almost intolerable cost, due mainly to the soaring price of oil).

Two or three days earlier in The Telegram the minister pointed out that Newfoundland and Labrador Hydro — recently, at astonishing cost, renamed Nalcor — “has been providing reliable and least-cost electricity to the residents of this province for more than 50 years.”

This, of course, takes us back to the Smallwood era, the founding of Hydro, the creation of the provincial grid and the electrification of the 50 per cent of our communities/population who did not enjoy electrical service prior to Confederation.

Interestingly, he then declared the decision to develop Muskrat Falls “was not made for political purposes” — that is, by elected politicians? — but rather by “professionals who have been keeping our lights on for decades.”

We pay

What the minister failed to say was that the cost of building the Muskrat Falls development is to be borne entirely by the Newfoundland people — by borrowing, and possibly doubling the public debt, already Canada's highest — and this will then have to be repaid by the same Newfoundland people through the aforesaid vastly higher electricity rates.

The oil revenues that currently make us on paper a “have” province will thus be largely unavailable for other purposes. (In effect, this process is already well underway; since 2008 approximately \$1 billion in cash and credits has been funneled into Nalcor, a process protected from examination by the auditor general and off limits to the operation of freedom of information legislation.)

This may be the reason the minister and his cabinet colleagues no longer speak optimistically, if at all, of government deriving revenue from Muskrat, certainly not in the lifetimes of most Newfoundlanders alive today.

Clearly, there won't be any to spare until its debts are paid.

- 23 Jul 2011
- The Telegram (St. John's)
- BY GEORGEMARTIN
- George Martin writes from Clarenville.

Independent review needed

“No doubt about it. The Muskrat Falls hydroelectric power development is the most cost-effective, efficient and cheapest source of power available anywhere.”

Where have we heard these opinions expressed lately? Where? Radio, openline shows, newspapers, television and every other imaginable media forum. By whom? The premier, cabinet ministers and Nalcor officials. They have bombarded voters with this message — so much so that it makes one wonder, if this deal is such a fantastic venture, should it not be able to stand on its own merit? Or is the government becoming concerned with the growing opposition to this project?

Yes, the government would have us believe that Muskrat Falls is the best thing since sliced bread. Cheap, clean power. Lots of it. More than we can use. Goodbye oil-burning Holyrood. What a deal. My, are we ever fortunate. How did we come to deserve this? It's so wonderful to hear that word “cheap“ when we talk about our power bills. The message seems to convey the meaning that our bills will be cheaper. Is this possible? Let's look closer.

As an example, my power bill right now averages \$300 per month. Newfoundland and Labrador Power was kind enough to raise its rate by 8 per cent, so beginning July 1, my monthly bill

became \$324. Very good. The cost of constructing Muskrat Falls will be \$6 billion (providing there are no cost overruns). They will borrow this money and thereby drive the provincial debt to unprecedented heights (around \$15 billion). The interest payments will be scandalously high and even outrageously so if we cannot secure a federal loan guarantee. To finance these costs, my government tells me my monthly power bill will increase substantially, probably to \$400 a month or more, but, in the same breath assures me it would be just as high if the went the oil-burning route. Believable? What do you think? For a project of this magnitude, committing us to many billions of dollars, no stone should be left unturned to make absolutely sure that every side of the issue is crystal clear to all concerned. So far, all the rhetoric has been pouring forth from government and Nalcor, and it's all positive and favourable because they are the proponents of this venture. What else do we need?

As I write this, I'm very well aware that anything I might write or say will matter not one iota to government because they have already spent — and are committed to spend — millions and millions of taxpayers' dollars in preparation for this gigantic initiative. That knowledge, however, doesn't mean that I can't express my feelings about the undertaking.

From that standpoint, then, we need, and Newfoundlanders of all political stripes should demand, that a completely independent audit be done immediately to determine the validity and viability of this project.

I understand the government had ordered the Public Utilities Board to do a review of the project and report back to government by Dec. 30. The very fact that the board doesn't report until Dec. 30 automatically means that the review will be nothing more than a rubber stamp for government's action. To me it's a public relations move by government and not worth any more consideration.

Let's have this independent audit, then, and have it chaired by someone who is experienced and knowledgeable in this field — perhaps, a person like John Noseworthy, the retiring provincial auditor general — who will report to government (and thereby the people) the merit or otherwise of this undertaking. No axe to grind. Nobody to please or displease. Just tell it like it is.

Then, let the chips fall where they may.

- 20 Jul 2011
- The Telegram (St. John's)
- BY DR. J.F. COLLINS Dr. J.F. Collins is a former finance minister for the province of Newfoundland and Labrador.

Former minister questions Muskrat Falls

Two letters in the July 2 Weekend Telegram may signal a tipping point in the Muskrat Falls proposal debate, added to evolving evidence on Nalcor's unique concept of priorities and voodoo-ish financial propositions as they progressively see light of day.

One letter, an advocacy piece by Hydro managers, argues in detail for Holyrood closure, mistakenly believing (presumably) it to be opposed by serious people and thereby entirely misunderstanding the substance of public unease over Muskrat.

The second letter, by Natural Resources Minister Shawn Skinner, is nearer the bone of contention as he avers “the decision to develop new generation and transmission is made by professionals at Hydro.”

This occasions eyebrow raising as to the minister’s view of his job.

He surely knows large corporate entities, if unrestrained, can drain arms-length treasuries dry if given half a chance.

With purest intentions, their abiding culture calls for “damn the torpedoes, full speed ahead.” Reining them in, not “joining the parade,” defines the ministerial role.

In this regard, Hydro’s historic record is hardly spotlessly virtuous. The infamous Tobin-bouchard deal was actively promoted from that quarter, until mercifully scuppered on close review. Premier Tobin’s stay thereafter was brief.

Now, a Nalcor “tail” seems set to wag the ministerial (and governmental) “dog,” at much public cost.

The basic issue here revolves not around the Holyrood close-out, nor around Labrador/island inter-tie (both much needed and long delayed by Hydro), but on the need to develop Muskrat Falls itself at this time.

Question: do panic conditions really demand a \$3 billion Muskrat Falls plant and dams now?
The answer: no.

Nalcor contends current demands are dire and no other power source at lesser cost exists.

Given Nalcor’s reticence on facts and figures for their reasoning, resort to Nalcor annual reports, back to 1999, is needed to glean true facts.

Documented demand needs in 2010 are 30 per cent less than in 2004, when no panic was cited nor acted upon, so that particular point is moot.

As for additional on-island power supply, the following serve:

1. Upper Churchill “recall” power not needed in west Labrador is presently exported south via HydroQuébec lines; power available for diversion to the inter-tie — 1,540 GW/h.
2. Twin Falls plant on the Unknown River west of Churchill Falls, inactive since 1974, is due to revert to CFLCo control in 2015; potential power available — 1,340 GW/h.

3. Churchill Falls generates up to 35,500 GW/h power (75 per cent of capacity), with a 10 year maximum (2008) 30,000 GW/h for Hydro-Québec, 4,400 GW/h for Hydro. At the very least, some 1,000 GW/h is potentially available for the inter-tie (and perhaps as well some of the Hydro-Québec's share, on agreed sales terms).

4. Court decisions in 2013 re CFLCo/Hydro-Québec power contract may decisively affect these possibilities, up or down; it is only prudent to await an outcome, not make hasty decisions.

These sources could handily (even greatly) exceed Nalcor's need to secure an inter-tie 2,000 GW/h input for Holyrood closure and meet projected annual incremental demands (about 80 GW/h).

The essential point is that costs to be incurred for so doing would obviously add to much less than Muskrat Falls construction.

Yet, upon specific enquiry, Nalcor gave no credible account of investigations, if any, conducted along these lines, leaving an impression of profound disinterest. Recent information suggests government has even instructed PUB not to conduct such enquiry.

Nalcor's Muskrat Falls Proposal is particularly defective on two main accounts.

1. Costly power generation in excess of in-province needs forces what can only be termed a hare-brained scheme to involve Nova Scotia's Emera Corp. for power sales to mainland customers, using untested technology, at subsidy from this province's rate-payers.
2. No provision is cited for provincial grid connection for power isolated communities on-island and in Labrador, despite adjacency to new road routes and or transmission lines.

Such neglect is inexcusable, and given planned servicing out of province, says much for Nalcor's priority orientation. Additions to the provincial grid would provide employment not offered at Muskrat Falls.

Nalcor's proposal should therefore be examined critically, adjusted appropriately and improved extensively.

- 16 Jul 2011
- The Telegram (St. John's)
- BY FREDWINSOR
- Fred Winsor is the conservation chair for Sierra Club Canada. He writes from St. John's.

Looking at other power options

(Incomplete transcription)

of new jobs in green renewable energy production and manufacturing sectors.

The challenge most governments and electric utility operators now face is building electricity grids which can accommodate various kinds of electricity produced from different sources in a variety of locations.

These “Smart Grids” as they are known, are and will be an important component of electricity production and transmission for decades to come.

Not here

Unfortunately, we have heard little about Smart Grids or any strategies to incorporate decentralized green renewable energy sources in our electricity production regime.

To date, the focus in Newfoundland and Labrador remains on one energy source — hydroelectric production.

However hydroelectric production can also be unpredictable, as it is dependent on snow and rainfall to produce electricity.

As any Newfoundland gardener or farmer can tell you, precipitation can also be very unpredictable. This raises many questions. In Newfoundland and Labrador is wind more unpredictable than rain?

Do we have fewer windy days than rainy ones?

Has there been independent research completed on this subject? What does it indicate? Could various energy sources supplement each other?

If we are going to be connected on the grid to the Maritimes, could we sell them wind energy and hydro-electric?

Much of the present narrow Muskrat Falls debate carries with it the giveaway legacy of the Upper Churchill and the fear of develop or perish.

Technologies for clean renewable electricity production and distribution have changed dramatically over the past several decades, as has our awareness of global warming and the effects of greenhouse gas emissions and ocean acidification.

We have the opportunity and capacity to adopt appropriate long term energy solutions for present and future generations. Such decisions should not be rushed.

- 14 Jul 2011
- The Telegram (St. John's)

Winded

Remember Kruger? You might know them as the paper company that owns Corner Brook Pulp and Paper, the last remaining paper mill in this province — and a company that has needed more-than-occasional provincial government support to stay competitive in the shrinking newsprint market.

But Kruger's a company that can read the writing on the wall.

Because one of the things that paper companies need — along with trees — is plenty of electricity. Because of that need, paper companies have been adept at making their own huge volumes of cost-effective electricity, so perhaps it's no surprise to see a division of Kruger involved in the power supply business.

Tuesday, late in the afternoon, Kruger Energy announced it was starting construction of its 100 megawatt Monteregie, Que., wind farm project. The project, which will include 44 wind turbines, will have an output equal to roughly one-eighth of the 824-megawatt Muskrat Falls project — and it is scheduled to be on line by December 2012.

It's actually only part of a series of wind contracts signed by Hydro-Québec — a series of contracts that will bring 2,000 megawatts of wind power into the Quebec grid, with all of the projects scheduled to be up and running by 2015. To put that in perspective, the entire Lower Churchill project, including both Muskrat Falls and Gull Island, would have an output of 3,074 megawatts. The majority of the 15 wind projects are to be in place and operating by 2012. Muskrat Falls would come on stream in 2016.

But that's not the most interesting part of the equation. Right now, this province is not expanding on-island wind power for two reasons: first, the province, in its 2007 energy plan, says that anyone who wants to do a wind project will have to do it in partnership with Nalcor, the province's energy firm — either that, or Nalcor will do any project alone. The province has actually blocked proposed on-island wind projects from going ahead because the projects didn't meet the province's energy agenda. As well, the energy plan maintains the island grid can only manage 100 megawatts of wind power, because of the fluctuations involved with depending on wind — and the government says Muskrat Falls must come first.

That would suggest that Tuesday's 44-turbine Kruger Energy project — large enough to supply electrical power to 10,000 homes with electric heat — will simply be too big for our province. That's a shame. It's a shame because Premier Kathy Dunderdale has said the price for Muskrat Falls hydro power — including the link to bring it here — will cost 14.3 to 16.5 cents per kilowatt hour. It's a price that the government argues is the lowest-cost power source available for a growing electrical market on the island.

Power, apparently, is cheaper in Quebec. HydroQuébec says its 2,000 megawatts of wind power are being purchased for an average cost of 8.7 cents a kilowatt hour. That's a huge difference — especially because we're also supposed to be selling power into North American markets.

But you have to wonder — if Hydro-Québec is bringing 2,000 megawatts of wind power on stream at 8.7 cents a kilowatt hour before Nalcor brings 824 megawatts of power on stream at 14.3 to 16.5 cents a kilowatt hour, who will be subsidizing the off-island sale of power of Muskrat Falls to make it competitive with power that costs a third less?

And just why is Muskrat Falls clearly the provincial government's only choice — and Nalcor the only possible supplier — to meet our energy needs again?

- 9 Jul 2011
- The Telegram (St. John's)
- Maynard Clouter St. John's

Assessing all options

Notwithstanding the anticipated futility of the exercise, I am compelled to take issue with Natural Resources Minister Shawn Skinner's recent letter to the editor of The Telegram ("Muskrat Falls is the right choice," July 2). The essential content of the letter is that, in Skinner's opinion, a thorough assessment of all possible options has been made by perceived experts and he has the utmost confidence in the choice that they have made.

The clear implication is that Minister Skinner is not concerned with the details of how the comparative analysis of the various options was made, and that such an approach should be acceptable to everyone. Given the historic proportions of the project, I find the display of such an attitude by the responsible minister to be sort of alarming as well as condescending. Those who are skeptical of the Muskrat Falls proposal should be entitled to know all the details regarding all the alternatives that were considered and, in particular, the basis on which the final choice was made. The fact that such information is not available only serves to raise suspicions that other alternatives were not, in fact, considered.

It is also disturbing to note the superficial attitude Skinner has displayed regarding the potential for development of wind power in the province, by touting the well-worn myth that significant developments of this kind are not possible without an island link to the continental grid. He is apparently unaware that this myth is being debunked by a successful project in our own

province, namely in the town of Ramea. I recommend that he also become aware of similar developments elsewhere on the planet, in particular Japan.

I note in passing that another relevant article appeared in the same issue of The Telegram (“Holyrood, hydro power and your electric bill”). There is much information of value in this article but, again, there is no mention of possible alternatives to Muskrat Falls.

The latter may indeed be the best choice but it should be the first responsibility of the provincial government to provide the taxpaying electorate with all the information required to confirm that an informed and careful choice was actually made.

- 9 Jul 2011
- The Telegram (St. John’s)
- Maura Beam St. John’s

Nalcor’s curious approach

I would like to respond to a letter to the editor (“Holyrood, hydro power and your electric bill”) by Nalcor executives Paul Humphries and Rob Henderson that appeared in your paper on July 2.

Several of their assertions about the \$6.2-billion Muskrat Falls project are troubling and I am disappointed they would spread such false information on a scheme that could potentially bankrupt the province.

Forecast woes

First, it’s impossible to believe their claim that historical energy demand is not a basis to forecast future demand.

This claim alone is alarming. If they are not looking at past usage and trends, what are they using to make their projections about future energy demand?

From their statement I’m left to conclude that they are advocating a risky project based on energy forecast numbers that cannot be substantiated.

Second, the authors accuse those who question Muskrat Falls as “erroneously using bits and pieces of data.”

They then demonstrate the art of speaking out of both sides of their mouths by erroneously using bits and pieces of data to explain the 7.7 per cent hike in power costs this year.

Other issues

Contrary to their claim that this increase was a result of rising oil prices, well over half of the increase approved by the Public Utilities Board relates to increases in municipal taxes being paid by Nalcor and Newfoundland Power. Much of the other portion of the increase is due to pension expenses and post employment benefits for former Newfoundland Power employees.

Only a portion of the 7.7 per cent rate hike is directly attributable to higher oil prices. Their statement is misleading. Finally, their position that the only way to ensure long-term energy supply on the island is to build an expensive dam in central Labrador is preposterous.

There are a number of undeveloped energy sources on the island that could be developed for a fraction of the cost of Muskrat Falls.

That's in addition to the fact that, for most of the year, there is actually a surplus of energy on the island.

The problem is that Nalcor has not developed the storage capacity to retain that excess power for use during the five or six weeks of winter when Holyrood is used to meet peak heating demands in the St. John's area.

That is an engineering issue that can be solved without building a \$6.2 billion project that could bankrupt the province.

If Nalcor is unable to solve that problem, perhaps it's time they hired new engineers.

- 9 Jul 2011
- The Telegram (St. John's)

Minister fudged Muskrat Falls message

I would like to respond to a letter by Natural Resources Minister Shawn Skinner, "Muskrat Falls is the right choice," which was published in your paper on July 2.

In it, Mr. Skinner assures the public that the decision to proceed with Muskrat Falls was strictly Nalcor's and further, that Nalcor assessed other options but found the \$6.2 billion hydro development in central Labrador was the least cost option for supplying power to the Avalon Peninsula for the five or six weeks a year when it will be used.

Mr. Skinner tries to sell the idea that developing Muskrat Falls before Gull Island, which represents a stark contrast to any other lower Churchill proposal over the last 40 years, was a nonpolitical decision driven by the engineers at Nalcor.

Nothing could be further from the truth.

The decision to develop Muskrat Falls as a standalone project was a sudden and radical departure from Nalcor's previous planning objectives.

As confirmed by Nalcor executives in a filing with the federal-provincial Joint Review Panel, Nalcor was directed by the provincial government to pursue this project. It is obvious the shift in policy to develop Muskrat Falls first and use it for domestic energy usage was a sudden and rushed decision. This is confirmed in the findings of one of the so-called "independent audits" conducted on behalf of Nalcor.

The decision to switch from a full lower Churchill project that would have seen power exported to millions of customers in the United States and Ontario, to one that is financed solely on power sales to residents on the island of Newfoundland, was entirely political and will hurt the economic standing of this province for generations.

Because of the huge financial risk posed by this project, Kathy Dunderdale and Shawn Skinner are trying as hard as they can to construe the Muskrat Falls project as an idea born of engineering and necessity and not politics.

As a result, Nalcor and the Dunderdale government are forced to invent scenarios and assumptions to somehow cloak this deal with a measure of credibility. Unfortunately for them, whenever those assumptions are tested or examined, such as the claim that energy demand is spiking and that we will need an additional source of power on the island in 2017, the facts show otherwise. George Joyce St. John's

- 9 Jul 2011
- The Telegram (St. John's)

Power of one

"Ask not what your electricity supplier can do for you — ask what you can do for your electricity supplier." OK, so that's not really the way the quote goes. But, almost on the eve of spending \$6.2 billion — or more — to build a giant hydroelectric dam at Muskrat Falls and power lines to bring the project's electricity to island markets, you'd think it would be something the provincial government might be considering. Why? Well, perhaps because one of the other provinces that expects to use Muskrat Falls power is thinking exactly that way.

Nova Scotia's Public Utilities Board has just set feedin tariff rates for electricity from small, communitybased wind producers. Simply put, the PUB there has outlined what Nova Scotia Power — that province's electrical utility — will pay for electricity produced by small private and community generators.

The province expects to pay 13.9 cents per kilowatt hour for larger wind power projects. Interestingly, that price is less than the 14.3 cents that power from Muskrat Falls will cost in this province — if the project manages to stay on budget.

Nova Scotia Power and the provincial government are expecting that the feed-in tariffs will bring in wind, biomass, small hydro and tidal projects that can deliver up to 100 megawatts of power per year — the bulk of that from wind farms producing at 13.9 cents per kilowatt hour. What's interesting in the equation in this province is that, even though the provincial government says it's concerned that increased demand for power will drive up the cost of running the Holyrood generating station, and therefore prices to consumers, it hasn't moved to set feed-in tariffs in this province. In Nova Scotia, the tariffs are set for 20 years, allowing potential electricity producers to plan their potential return on investment and costs. Setting tariffs here would bring new generation sources online, potentially forestalling the increases without taking on massive new amounts of provincial debt. The provincial government, in its 2007 energy plan, suggested that alternate power on the island could produce an extra 100 megawatts of power from wind and small hydro power generation — but instead of feed-in tariffs, it's pretty clear the province prefers controlling any development through its energy corporation, Nalcor.

Small hydro projects are currently on hold under a government moratorium. Here's what the energy plan says about them: "If the provincial government lifts the moratorium, it will institute a policy that the Energy Corporation will control and co-ordinate the development of small hydro projects that meet economic thresholds and are viable for an isolated island system."

As for wind projects? "To maximize these benefits, the provincial government believes the Energy Corporation should control the development of all wind projects and determine when to develop alone or with private sector partners. We will enable this by adopting a policy that no new leases for wind development on crown land will be issued except to the Energy Corporation or another company acting in partnership with the Energy Corporation." It looks a lot like the province would prefer all its eggs in one basket. Or, more to the point, the province not only wants to run an energy warehouse, but actually wants to own it all as well. In its own way, that handcuffs consumers in this province. Because one company will decide the most effective way to produce and supply our power. We'll just pay for it.

- 4 Jul 2011
- The Telegram (St. John's)
- BY JIMMORGAN AND RICK BOUZAN
- Jim Morgan and Rick Bouzan write from St. John's.

Risks of project are too great

The Newfoundland government should not proceed with the Muskrat Falls project.

Now that we have been fully briefed by Nalcor officials at their last annual general meeting concerning the proposed Muskrat Falls development, and after listening to statements from Premier Kathy Dunderdale and her ministers, we are firmly convinced that the government should not proceed further on this \$6 billion, 824-megawatt project.

By going it alone on this project we — the taxpayers of Newfoundland and Labrador — will have to borrow the money required (\$5 billion to \$6 billion).

The interest on that loan will be seven per cent or 7.5 per cent, with or without a federal government loan guarantee.

With a 50-year term to repay this huge loan, we — the taxpayers — will have to pay each year hundreds of millions of dollars towards paying off that huge loan.

From provincial pockets

The fact is that this project, even if it is completed, will not provide any revenues other than what our own ratepayers will be paying on their monthly light bills.

Nalcor and the Newfoundland government claim — based on their own assumptions — that our light and power bills will increase by approximately 40 per cent.

Their projections are that power from Muskrat Falls will cost 33 cents per kilowatt/hour (blended to 14.5 cents) on the island part of the province.

This cost is not taking into consideration any cost overruns in the construction of a power plant and transmission power lines.

Our light bills will increase substantially — no question about it.

By how much is indeed the real question: 40 per cent? Eighty per cent? Or 100 per cent?

The financial situation of this province must be taken into consideration.

We presently have a provincial debt of \$8.5 billion, and one of the highest per capita debts in all of Canada.

Our deficit projected for the next year — in the last Dunderdale administration budget — will be \$495 million.

To add another \$6 billion to our provincial debt at the time would be irresponsible, in our opinion.

It is disturbing for us to learn that, recently, the Newfoundland government has injected \$748 million (three-quarters of a billion dollars) into Nalcor towards the Muskrat Falls project and has approved the awarding of a contract to SNC Lavalin — a Quebec-based company — for \$50 million for the Muskrat Falls project.

We say disturbing, because it is spending taxpayers funds prior to any independent audit being done concerning the economic viability of the proposed project.

We are also convinced that a strictly independent audit will show that this project should not proceed at this time.

Other options

If there is a need for additional power within the next five to 10 years, then Nalcor should be given the approval to upgrade the Holyrood plant and develop smaller power plants such as Island Pond, Round Pond and Portland Creek.

Also, Nalcor should place more emphasis on the development of wind power and solar power.

The provincial government of the day must not burden the taxpayers of our province with a debt load that we may find difficult to service, especially after our oil revenues are gone.

- 2 Jul 2011
- The Telegram (St. John's)
- BY FREDWINSOR
- Fred Winsor is the conservation chair of the Atlantic Canada Chapter of Sierra Club Canada. He writes from St. John's.

Muskrat review missing crucial options

I write regarding James MacLeod's article in the June 18 edition, "PUB sets sights on Muskrat Falls." The article reported on the request from the government of Newfoundland and Labrador to the Provincial Public Utilities Board (PUB) to determine if Muskrat Falls is the cheapest source of power for Newfoundlanders.

However, in the terms of reference, the Newfoundland government limited the assessment to "an isolated island scenario." Specifically, the PUB was ordered not to consider any of the excess power generated from Muskrat Falls as part of the review. In the view of the government of Newfoundland and Labrador "an isolated island system and Muskrat Falls were the only options that provide the necessary energy security, economic feasibility and environmental considerations."

What is concerning about the position taken by the Newfoundland government is the limiting scope of the proposed study, as it appears to be restricted to comparing hydroelectric production on the island of Newfoundland with hydroelectric production at Muskrat Falls.

While this may have some merit, it fails to address the long-term vision for sustainable energy production in this province, and with it, the projected costs of that production. In recent years, electricity generation has undergone vast technological and administrative changes as countries struggle to implement programs to reduce greenhouse gas emissions by decommissioning or reducing production from fossil-fuel-burning electricity generating stations.

In many western countries, great strides have been made in harnessing green renewable electricity sources such as bio-gas, wind, solar, tidal and geo-thermal energy through the passage of enabling legislation known as Feed-In Tariffs (FIT).

Such legislation permits virtually anybody, including individuals, municipalities, non-profit organizations, small businesses and companies, to produce electricity for their own use and to sell on the electricity grid.

Governments set prices for green energy which reflect their actual cost — including a modest profit — and grid operators are required to purchase the electricity from these independent producers at the set prices.

To accommodate the variety of electrical energy sources, electricity grid operators have expanded grid flexibility and capacity by developing what have become known as Smart Grids.

This focus on widespread green renewable energy production has also placed more emphasis on the efficient use of existing energy sources through the introduction of smart metering, off-peak rates and widely expanded energy conservation. Similarly, in regions where FIT legislation is in place, such initiatives have fostered more awareness among the general public of the importance of reducing greenhouse gas emissions.

Unfortunately, the government of Newfoundland and Labrador's energy policy document “Focusing Our Energy” failed to make any mention of FIT legislation, Smart Grids and many of the other topics mentioned above.

It is our position that green renewable energy production can play a major role in long-term electricity production not only for Newfoundland and Labrador but for all of the Atlantic provinces. It has great potential as an engine for local, provincial and regional economic growth and industrial development for decades to come. To date it has been marginalized and often left out of any meaningful discussions as a legitimate energy option, despite significant evidence to the contrary as experienced on five continents.

We would ask that when considering sustainable energy options for this province that all sustainable energy sources be considered using the best scientific and environmental research available.

We have many green renewable energy sources in this province which can be of benefit to all our citizens if properly utilized.

The Public Utilities Board and the government of Newfoundland and Labrador should give equal consideration to all options when considering costs and future directions of electricity production in this province.

- 25 Jun 2011
- The Telegram (St. John's)
- Russell Wangersky

- Russell Wangersky is the editorial page editor of The Telegram. He can be reached by email at rwanger@thetelegram.com.

Much to think about on Muskrat Falls

Back when the whole 2,800megawatt Lower Churchill project was being pitched, the government was touting it as “the best and cheapest” source of green energy “in North America.”

That’s probably not the case for the much smaller \$6-billion, 824megawatt Muskrat Falls project.

And if you were to throw South America into the mix, even the entire Lower Churchill project would probably not be the best and cheapest — after all, a Chilean project will produce almost as much power as the whole Lower Churchill venture, with costs similar to just the Muskrat portion.

The HidroAysen project in Chile would build five dams on two rivers and is facing environmental opposition because it will flood sensitive areas in Patagonia.

Interestingly, HidroAysen is pitching its \$7-billion, 2,700megawatt project as a way to actually bring Chile’s electricity prices down — Chile is currently paying the highest electricity prices in South America, at something close to 12 cents per kilowatt hour. Muskrat Falls, meanwhile, would produce power at a price higher than Chile’s current price — Muskrat Falls power would come in at 14.3 cents a kilowatt hour, even without project cost overruns. Both the Chilean government and our government are making one portion of the same argument: that the projects are necessary to maintain security of energy supply. If anything, the Chilean situation is more dire, because electrical consumption is growing more quickly in that country.

But even with a proposal to bring power rates down and provide much-needed power, HidroAysen is far from smooth sailing: last week, 30,000 anti-dam protestors marched on the Chilean presidential palace, where they were met with water cannons. One protester, Paula Banados, told The New York Times “The government is saying we will be left without energy, but it’s a lie ... They are just trying to scare us. But we won’t be scared away, because we know we’re right.” Sixty per cent of Chileans oppose the project. While the Dunderdale government is almost certainly polling the residents of this province on Muskrat Falls, they haven’t been in a big rush to release the numbers here.

There’s also a view that the Chilean government is seeking new, cheaper power primarily to support mining ventures; that the government deliberately isn’t looking at such options as improving energy efficiency and is ignoring the country’s capacity for wind, solar or geothermal power. Sound familiar?

Take this view from Roberto Roman, an associate professor of mechanical engineering at the University of Chile, quoted in The New York Times: “Compared to Brazil or Argentina, Chile is doing very little to incentivize renewables ... in five to 10 years, solar options will be cheaper than HidroAysen.”

If solar power really were to become cheaper than the HidroAysen project, look out Muskrat Falls.

And cheaper is interesting from another point of view.

Danielle Powers, an energy consultant from Massachusetts, told the Saint John, N.B. Telegraph-Journal last week that selling power to New England wasn't as lucrative an option as some Atlantic Canadians might think. Right now, the region consumes 31,000 megawatts, and can produce 35,000 megawatts on its own.

Emissions regulations could make power from Muskrat Falls more attractive, but ... "When you look at (natural gas) prices right now, I don't know how the case is made financially to bring the resources in ... In the near term, unless I'm missing something, I don't see it working."

And ignoring making homes and businesses more energy efficient is another issue.

What's more, last week HydroQuébec was trumpeting the huge success of its Energy Savers' Circle program. The utility says that, since 2003, major customers have carried out some 855 energy efficiency projects, saving 1.5 TWh, "equal to the annual consumption of more than 90,000 households." While the provincial government and Nalcor have talked about how much energy demand will grow in this province, there hasn't been a clear effort to slow that growth through better use of power.

There are those who argue that increased prices will make consumers necessarily more efficient on their own — but if consumers cut back when prices rise and we're in the midst of paying for a new hydropower infrastructure — built with borrowed money that we have to debt-service — well, can you say "perfect power-price storm?"

None of this is to say that Muskrat Falls isn't the most attractive option for the province's future power needs — meet with Nalcor boss Ed Martin and you'll quickly realize that he is absolutely convinced the project is the best option.

But reviewing that conviction is another issue: the province's Public Utilities Board has been tasked to look at aspects of the project, and the government has promised an independent review, saying it will show Muskrat Falls is the lowestcost option.

Both seem more like stopgap sops to sooth public opinion than real efforts to establish the project's viability.

And don't get me started on Premier Kathy Dunderdale, who told the House of Assembly that the province had two independent audits of the project — and when one of those audits turned out to be merely a project review of the construction process, maintained the difference was "semantics." Project reviews are good and necessary and keep things on track: they're not audits.

Put it this way: you will always get a perfect project review of a plan to flush \$6 billion down the toilet if 1) the circumference of your sewer pipe is big enough, 2) the toilet is big enough to

handle the money you're putting in each time, 3) someone will lend you the money, and 4) the handle on the toilet is pushed down regularly enough to clear the bowl.

An independent audit, however, might tell you if it's a stupid way to waste your money.

One says you can do it, the other says whether you should or not.

With a massive power error already in our past, we have to be extremely careful that the business plan is carefully and independently tested. Until we're sure, \$6 billion in borrowed money is a lot of eggs to put in one basket. Or bowl.

- 25 Jun 2011
- The Telegram (St. John's)

Vote cast

If you're thinking that this October's election will give you a chance to cast a vote on whether the government gets a mandate to move ahead with its current deal to develop Muskrat Falls, you may be too late. Four years too late. Because, in Premier Kathy Dunderdale's eyes anyway, you may have already cast that vote. And you voted to move ahead.

That's just one of the pieces of information to emerge from a meeting between the premier and The Telegram's editorial board.

Asked if being re-elected would mean the government had gotten a mandate to proceed, Dunderdale said that she did not view the upcoming provincial election that way.

Instead, she referred back to the provincial government's introduction of its energy plan in August 2007 — when the Progressive Conservatives were reelected later that fall, Dunderdale says, the government garnered the mandate to move ahead with the plan. And while a stand-alone Muskrat Falls project was not specifically outlined in the energy plan, it's still part of the Tories' overarching energy program. You don't remember the energy plan being a crucial part of your decision on how to vote last time around? That's not surprising: there are probably only a few hundred people in the province who know that plan well — although the buzzwords about the government wanting the province to be an “energy warehouse” might twig a few synapses in your memory banks.

Throughout an hour and a half editorial board meeting, Dunderdale was staunchly behind the project, saying that she expects the project's economic numbers will be vindicated both in an external audit by auditors hired by Nalcor, and by a review of the project that's to be completed by the province's Public Utilities Board.

It was at times somewhat contradictory support: in one part of the meeting, Dunderdale said governments across the country are getting stung by all manner of projects coming in vastly overbudget — often by as much as a third or a half again as much as original budgets had outlined. At the same time, she argued that a contingency plan built into the Muskrat Falls

project would handle any overages, even though the contingency set aside for the project is only 15 per cent of the project's cost.

Asked about the disparity, Dunderdale pointed out that the province still needs new sources of energy — and that if there were cost overruns on Muskrat Falls, it's likely that cost overruns on other energy projects needed to produce power for the province would be of a similar magnitude.

More and more, it's looking like Muskrat Falls is a done deal, at least as far as the current government is concerned.

The final message from the meeting? It's a bit mixed: Dunderdale says she in no way wants a repeat of the Upper Churchill fiasco, but the province can't be paralyzed into inaction on Muskrat Falls because of the fear of making the same kind of mistake.

She says she wants to hear anyone who can identify problems with the venture, but at the same time, says no one has raised any real problems as yet.

One thing's for sure: the premier is already fully convinced.

- 23 Jun 2011
- The Telegram (St. John's)
- BYMAURICE E. ADAMS
- Maurice E. Adams writes from Paradise.

By Nalcor's own numbers

In his Weekend Telegram article "We're still not sold on Muskrat Falls," (June 18) Randy Simms writes that, according to Nalcor CEO Ed Martin, "The demand for electricity has been climbing in the province by about 2.3 per cent a year since 1970 ... (that Nalcor has been) conservative with the numbers ... (and that) history says we are seeing a growth in energy demand of 2.3 per cent a year, but for the purposes of this exercise, they pegged demand growth at just 0.8 per cent a year, going forward from 2010 to 2067."

In assessing the future need for Muskrat Falls, Nalcor uses what it says is a "conservative" compound average demand rate (not the historical rate of 2.3 per cent) but instead, a forecast rate of only 0.8 per cent (only 1/3 as much, it would seem, as history shows we have, on average, been using). How can anyone argue with such reasonableness in approach? But do Nalcor's actual numbers paint a different picture?

In fact, Nalcor's public documents outlining our historical demand for electricity cover a period of 40 years, from 1970 to 2010. And while it is technically correct to say that historical demand over the last 40 years has on average climbed about 2.3 per cent a year, of itself, this statistic is misleading, and I would suggest, not very relevant nor very informative.

Using a 40-year assessment period (and using a 40-year average growth rate) effectively hides the fact that 98 per cent of that historical increase in demand was during the first half of that 40-

year period — from 1970 to 1990. So, in order to arrive at that 2.3 average increase in growth rate, Nalcor had to reach way back to 1970. Without reaching back 40 years, the numbers tell a whole different story.

That 20-year period (from 1970 to 1990) was a period when average demand rate increases were very high (I would suspect households were switching off oil and moving to electricity), and it is that early 20-year period from 1970 to 1990 that drives the 40-year average increase up to 2.3 per cent per year.

Of the 100 per cent of the increase in the demand during that 40-year period, 98 per cent of it can be attributed to the period from 1970 to 1990, and only about 2 per cent of the increase in demand from the period from 1990 to 2010.

So, from 1990 to 2010 (the most recent, and I would suggest the most relevant 20-year period) the compound average growth rate in demand has been only about 0.1 per cent per year (23 times lower than Nalcor's 40-year average rate of 2.3 per cent). By 2010 (after the closure of the paper mills) electricity usage in Newfoundland was almost identical to what it was in 1990 — not 2.3 per cent, not 0.2 per cent, but only a 0.1 per cent per year average increase over that 20-year period, a negligible growth rate.

Now, let's look at Nalcor's claim that it is being "conservative" in using "only" a 0.8 per cent forecast rate. Certainly, compared to Nalcor's 40-year usage rate of 2.3 per cent, 0.8 per cent going forward seems "conservative."

But is it "conservative" compared to the actual 20-year usage rate of 0.1 per cent?

I see nothing conservative about going forward with a rate that is eight times greater than our proven 20-year usage rate of 0.1 per cent.

In fact, if one looked closely at Nalcor's numbers, Nalcor is only able to claim a go-forward rate of 0.8 per cent because it reached way into the future and thereby averaged the rate down (over a very long 57-year period) from what was a 50 per cent higher, early on, 20-year growth rate of 1.2 per cent. The actual go-forward rate (by Nalcor's own numbers) for a 20-year (instead of a 57-year) period is not 0.8 per cent, but instead, 1.2 per cent.

So, to review the relevant periods — the 20 years before and the 20 years after the year 2010 — Nalcor's go-forward compound average increase in demand rate (instead of being the "conservative" 0.8 per cent, or one-third of the 40-year historical average of 2.3), is instead, over the 20-year period from 2010 to 2030, 1.2 per cent, or 12 times (1200 per cent) higher than the actual, historical 0.1 per cent increase over the previous 20 years (1990 to 2010).

So, is Nalcor really being "conservative"? It is hard to see.

But then again, who in their right mind would borrow \$5 billion or \$6 billion to produce electricity for domestic use — when the facts over the last 20 years show clearly that there has been virtually no increase in demand (just a 0.1 per cent compound average growth rate)?

And who would support borrowing \$6 billion for a project that relies on a go-forward projection in growth that is not “conservatively” one-third below the 20-year historical usage records, but instead, whose projected growth is 12 times (or 1,200 per cent) higher than its 20-year historical average?

Some people say that there are such things as “lies, damned lies and statistics.” While others, like George Orwell, say that governments tend more and more toward “doublespeak.” I wonder if any of these descriptions apply here? You be the judge.

- 18 Jun 2011
- The Telegram (St. John’s)
- BY GEORGEMARTIN
- George Martin writes from Clarendville.

Going over the (Muskrat) falls

We often hear people say, “In hindsight I ...,” meaning, of course, that “If I had my time back ...,” or “If I could have foreseen ...,” or “If I had only known.” The fact of the matter is that very few of us have 20/20 vision all the time and as a result we make blunders — sometimes very big ones.

I suggest that Premier Kathy Dunderdale, even though she cannot and will not admit it, is having many second thoughts about the government’s idiotic scheme for Muskrat Falls, and in the quiet of her office says to herself, “If only ...” How so, you might ask? Here’s how. This scheme has generated so much public discussion — a great deal of it negative — and the dialogue continues to escalate, that it is becoming more than a little alarming for the government.

The proposed development is, to put it in layman’s terms, “far too rich for our blood.” A dam at the falls (millions), a power house at that location (many more millions), a transmission line to the Strait of Belle Isle (millions), a tunnel across the Strait to the island (untold millions), and the power line across the island (millions galore). All of this adds up — to put it conservatively — to \$8 billion to \$9 billion (yes, that’s billion, not million.) I’d like to say that it grows on trees, except that in this case the tree happens to be your power bill and mine. Just thinking about it is frightening.

Cheapest power?

Premier Dunderdale maintains that this is the cheapest course of power available. In a way, perhaps she is right.

But she purposely omits one very important factor, and that is the time frame. She inherited this project from Danny Williams, who then promptly resigned and left politics, leaving Mrs. Dunderdale a hornet’s nest to be dealt with by November.

There are other, cheaper options but the government won’t entertain looking at any of them; after all, Muskrat Falls is the main plank in their campaign for re-election in October. That’s why the

hurry. Never mind the cost. Never mind the commotion made by the Liberals. This is cheap power; Nalcor has done studies — they know that this is so. Trust us. We know what's best for you.

No trust

Sorry, Mrs. Dunderdale, I don't trust you.

Furthermore, I don't believe you. Mere words without substantive evidence on the validity of this effort just won't suffice. Red lights are flashing all around this project. Rush it through in the next six months? Why? Just to get your government re-elected?

Things done in haste are usually ill-conceived and flawed in almost every aspect. I don't hear of any independent study being done to verify the methods, personnel, aims and objectives, etc., of those involved.

Where is the transparency aspect of government's actions that you so proudly espouse? What's happening smells like a coverup, and we, the people of the province, deserve better.

You are letting us down, Premier Dunderdale. I, for one, was expecting and hoping for something better from you — a breath of fresh air, if you like. I'm not getting that. Your very cheap Muskrat Falls project is outrageously expensive — and out of my league. Having said that, I realize that if the deal materializes then I become a participant whether I wish to be or not. It will simply mean that some other item on my shopping list will have to go — my income dictates that this be so.

For the first time in several years I will not be voting for the Tory party in October (sorry, Ross). I will also encourage others to vote likewise.

We must not let this particular project happen at this time. We will lament it for years to come if we do. When we enter the ballot box in October we have to ask ourselves the question: do I vote for a party which tells me they will increase our provincial debt drastically and my power bill in a similar manner?

The decision should not take too long to make.

- 18 Jun 2011
- The Telegram (St. John's)
- Randy Simms
- Randy Simms is host of VOXM/CFCB's "Open Line." He can be reached at rsimms@nf.sympatico.ca.

We're still not sold on Muskrat Falls

The business case for Muskrat Falls is much in the news lately. Those who argue that the numbers on the project are out of whack are warning against driving the province deeper into

debt, while those who support it argue that we desperately need to get this project up and running so the future power needs of the province can be met.

According to Nalcor CEO Ed Martin, we will need additional power by 2017. The demand for electricity has been climbing in the province by about 2.3 per cent a year since 1970. Even when our population declined because of things like the cod moratorium, demand continued to rise. In fact, the only time we saw lessened demand was when the two paper mills closed.

Martin says Nalcor caught a bit of a break with the mill shutdowns because the need for additional power was delayed by about five years. He says they put that delay to good use.

His mandate is to determine and develop new sources of power for the province. He argues that if we do nothing but rely on what we have, including the polluter in Holyrood, we will max out in 2015. At that point an electricity deficit is forecasted and new generation is required.

But why is the demand for electricity rising?

On the domestic front, it's being driven by economic growth. We are enjoying a boom and people are building more and bigger houses. Over 86 per cent of those homes are turning to electric heat and abandoning oil. On average, half of home electricity costs and usage now comes from electric heat.

On the industrial side, the Vale smelter at Long Harbour will use 85 megawatts of power when it hits full production. Even the development of the Hebron oilfield offshore will affect electricity demands because of related business developments onshore.

Making predictions — which the business community calls “assumptions” — is more art than science. It's why we're having a debate about our future energy needs.

Martin says they've been conservative with the numbers. History says we are seeing a growth in energy demand of 2.3 per cent a year, but for this purposes of this exercise, they pegged demand growth at just 0.8 per cent a year, going forward from 2010 to 2067.

Martin says they explored a number of options for providing additional power, including other projects on the island. They can generate 23 megawatts of power from Island Pond, 18 from Round Pond, 23 from Portland Creek, and they can develop additional wind power. He says that would mean keeping the Holyrood facility up and running until 2030. Martin says the whole thing adds up to \$3.8 billion, not including fuel costs and sustaining capital costs over the life of the operations.

The other option was to develop Muskrat Falls. Martin says this will answer the province's energy needs for generations with green energy. We can then do away with the Holyrood generating plant and, more importantly, offer low, stable energy rates to the province for years. The other benefit is that excess power generated at Muskrat can be sold for profit.

The big question is whether or not it makes financial sense. This is where things get dicey.

According to Martin, it's not just energy demand that's on the rise. He says costs are rising as well and by the time Muskrat Falls is ready to come on stream the costs to consumers will match what they would have been anyway, even if we did nothing but upgrade Holyrood and increase its capacity to generate power. He says the increasing price of oil is the main culprit.

In the short term, this means a significant increase in our electricity bills. No one wants to see that, so proving the business case means proving these increases are real.

No one is going to accept Nalcor's argument based on its assumptions alone. Whether Nalcor likes it or not, making the business case stick and convincing us to buy into it is going to be a tough sell.

Can anyone say independent audit?

- 14 Jun 2011
- The Telegram (St. John's)

Not an audit

Monday, news broke about one of the independent audits that Premier Kathy Dunderdale has maintained would demonstrate that Muskrat Falls was a good fit for this province, after the Canadian Press news service obtained a copy of one of the audits.

Only problem is, it wasn't fully independent, and it wasn't an audit.

On the whole, the document, an independent progress review (IPR), is far more complimentary to Nalcor's project management staff than the original media coverage has suggested. True, it does say this about one facet of the project: "We are concerned about the reality of the schedule ... sanction is scheduled for Oct. 2011 at which time 60 to 70 per cent of engineering is to be complete. Experience suggests it is unlikely this can be achieved; if it is not, the implementation of the contract strategy gets off to a bad start based on a pattern of unrealistic objectives."

But it also argues other areas are ahead of schedule: "Progress and current level of alignment is well beyond most projects at this stage and provide considerable level of confidence for the Gate 2 and later decisions."

On source data, "the IPR Team was very favourably impressed with the extensive and intelligent use of expert consultants."

So, hardly complete gloom and doom. In fact, Nalcor can be justifiably pleased with the progress.

But as an independent audit of the venture, the report is a complete bust. Why? First, because it's not completely independent — one of the four experts was a Nalcor employee. Second, and much more importantly, because it's not an audit of the project — nor was it ever meant to be. The review, an independent project review, was actually done before the deal with Emera in

Nova Scotia was even signed. It was undertaken over seven days to establish how the project was doing at meeting its milestones. That kind of analysis is a good solid business practice, meant to catch major issues before they can do damage.

But it's not an audit. On the first page of the IPR, it says exactly what it entails. "IPR is: a high-level independent expert assessment. IPR is not: an audit or validation of the work product." Whole parts of the project aren't even considered. The IPR specifically excludes the Maritime link to Nova Scotia, any future Gull Island generation, and commercial generation. It does not ever consider if the project is the lowest-cost power available to the province, nor does it handle any financial aspect of the deal, except to say the project's cost estimation uses a reasonable methodology and that financing should be available: "(T)here are several financing options available to the project and sufficient interest from the financial community to provide a more than adequate level of confidence."

All of that makes it exceedingly hard to square the IPR with what Premier Kathy Dunderdale has been saying the review was. Premier Dunderdale has said two reviews have told the provincial government all it needs to know about the project. As she said in the legislature on May 10: "On top of that, Mr. Speaker, we have already gone to two independent audits of the methodology, of the process, and of the whole gamut of issues that occur in a \$6.2 billion project."

Except, once again, it's not an audit. And it's not any kind of analysis that considers the costs and benefits of the project to see if it's a worthwhile investment.

So, why has it been suggested that it was?

- 11 Jun 2011
- The Telegram (St. John's)
- BY TOM CAREEN
- Tom Careen writes from Placentia.

Muskrat Falls and more questions

Much has been written and said about the Muskrat Falls hydroelectric project. Nearly every day during the spring sitting of the House of Assembly, questions have been asked.

There has been some great information put forward for the public in columns, editorials and letters to the editor in the pages of The Telegram and on the talk radio programs.

Maurice E. Adams of Paradise had a thought-provoking letter ("Nalcor and numbers," The Telegram, May 28). As a trying-to-be-informed resident on this public policy issue, I expect a letter to the editor in response to Mr. Adams from either Premier Kathy Dunderdale, the minister of natural resources or finance, or from someone important from Nalcor sometime soon.

Exempting the project from a full examination by the Public Utilities Board in its role to determine if Muskrat Falls is, indeed, the lowest cost option available for electricity generation is wrong. Why the exemption? Because "there is not enough time" is not reason enough for me.

Shortsightedness and shortcuts (a slapdash attitude) are what caused problems for Newfoundland in the past.

Time is what we should have, should insist on, in arriving at such a momentous decision. Refuse to be rushed. A little bit better than six months ago, most of us, and that includes the business community and professional commentators, had never heard of a term sheet.

Time is on our side. Every passing day, this province moves closer to 2041 and the expiration of the Churchill Falls contract. It may be we are fated to develop the sites at Muskrat Falls and Gull Island with windfall profits from the immensely profitable original hydro project. I can wait, if need be. Can you?

We are fortunate in this province. This island has never been a poor bald rock and Labrador, while no Eden, is certainly not the cursed barren land given to the fratricidal Cain.

Churchill Falls revenue has been lost to us since 1976 and may be lost for 30 more years. (There is a claim for fairness launched by Churchill Falls Labrador Corporation against Hydro-Québec at present winding its way through a Quebec civil code court.)

We are fortunate, incredibly and amazingly so lucky, because of the discovery of oil and gas in offshore Newfoundland and Labrador.

Someone should be able to answer these questions: without the oil industry and its royalties and taxes flowing into our province's treasury, what would be (a.) the population of this province and (b.) the size of the provincial budget?

We escaped bankruptcy in 1933 by giving up something precious. What would we have had to give up in, say, 2003 to appease the debtcollectors?

History often repeats — will 2033 be another terrible year of debt and doubt for politicians and public alike?

Is Muskrat Falls the lowest-cost option for electricity generation?

About 15 years ago, when Inco was making all those nickel-clad promises, the then-owners of the oil refinery at Come By Chance put forward a proposal to produce 200 megawatts of electricity.

Ownership of the refinery has changed twice since those cobalt blue-sky days but has anyone from Nalcor, the ministry of Natural Resources or the Department of Business approached the present owners about those 200 megawatts?

Residential consumers of electricity are very wasteful. It is easy to be so. Flick the switch to the "on" position or turn the thermostat up and expect someone else (usually the monthly bill-payer) to turn them off or down.

Quite a few years back, the then Department of Mines and Energy identified 400-plus megawatts as being available from a retrofit and conservation program.

A question for the PUB might well be: is it more costly to save a kilowatt hour of electricity or more costly to generate and transmit a kilowatt hour?

In these pages a few months ago, I asked about Newfoundland Power/Fortis ever being approached by Nalcor or the provincial government in getting the ever-elusive right-of-way (a “strip taking” in railway and oil/gas pipelines federal legislation) across Quebec for the transmission of the 3,000 megawatts available at the Lower Churchill sites. (Psst! Psst! Hey, man, lookit 'ere. Vermont shares borders with Quebec, New York, New Hampshire and Massachusetts. Now and post-2041, how about Vermont as a distribution hub? Hubba, hubba.)

Suncor Energy and Statoil Hydro have premises, well, OK, branch offices, on Water Street.

A few years ago, Suncor rebranded itself as an energy company, and if the old Grade 4 geography book (The Bunga Book to people of a certain vintage) is anything to go by, the Norwegians are great hands at hydroelectric production and transmission.

Would either be interested in transmitting power from Lower Churchill across Quebec (or, for that matter, using the Maritime Route) to markets in Ontario, New York and New England?

How about the multidisciplined and well-connected SNC-Lavalin? Besides its construction and engineering businesses, that interprovincial and multi-national corporation doesn't turn up its nose or shrug indifferently at the prospect of buying into an enterprise. Remember who built and took a quarter-share in Ontario's Highway 407?

In closing, I will offer this thought to our current crop of provincial politicians: if either of you are looking for a monument so you will be remembered, I suggest the least expensive for the ratepayer and taxpayer for your self-aggrandizement may be to have the name of the Smallwood Reservoir changed to your own.

You remember Premier Joseph Smallwood, don't you? He was the naïf who said electricity would be so abundant it would be flowing out of our ears.

- 11 Jun 2011
- The Telegram (St. John's)
- BY FREDWINSOR
- Fred Winsor is conservation chair for the Atlantic Canada Chapter of Sierra Club Canada.

Other electrical options exist

I write in response to Natural Resources Minister Shawn Skinner's letter to the editor “Muskrat Falls: a necessary project” in the May 28 edition of The Telegram.

In the letter, Minister Skinner writes: “Newfoundland and Labrador Hydro has evaluated a number of alternative practical supply options to meet the island’s long-term electricity needs. Hydro concluded that the development of Muskrat Falls with the transmission link to the island is the least-cost option to supply electricity consumers in the province. It will provide electricity consumers with the lowest rates possible and therefore the lowest electricity bills possible.” A scan of the Nalcor/Newfoundland and Labrador Hydro website reveals little in the way of any assessment of “alternative practical supply options.”

Of most note is what is not mentioned: the potential of renewable energy sources such as bio-gas, geothermal, solar or wind energy, or an assessment of feed-in tariffs (the enabling legislation which would permit private individuals to generate and sell electricity to the grid using green renewable energy) is not discussed.

Similarly, references to smart metering or smart electricity grids cannot be found.

In the same letter, Minister Skinner states: “without Muskrat Falls and the Labrador-island transmission link, electricity demand would have to be met with increased production from the oil-based Holyrood thermal generating station and the building of several small hydro, gas turbine and wind projects.”

This comment reveals just how far the provincial government, Nalcor and Newfoundland and Labrador Hydro have removed themselves from leading-edge green renewable energy production.

Green success stories

For example, the two small nineturbine wind farms located at Fermeuse and St. Lawrence each produce 27 megawatts of electricity.

Those two wind farms reduced Holyrood’s electricity output by 15 per cent in 2010.

A potential practical supply option would be to identify 50 communities in eastern Newfoundland and permit them to build a wind farm each so they could produce electricity for their own consumption and sell the remainder to the grid.

Based on the information contained in Canada’s Wind Energy Atlas, Newfoundland and Labrador has the highest densities of wind energy in North America.

A chance to lead

Conservative preliminary investigations indicate that this energy can be produced for about eight cents a kilowatt hour.

Assuming that each threemegawatt wind turbine will cost \$10 million, then the cost for 450 turbines would amount to \$4.5 billion dollars.

Expensive yes, but they could be constructed at Nalcor's fabrication facility at Bull Arm which could reduce costs while gaining practical experience in a renewable energy technology which complements Newfoundland's comparative advantage.

Fifty communities producing 27 megawatts each would generate 1,350 megawatts annually — more than enough to absorb the closing of the Holyrood generating station — and produce surpluses to export to the mainland.

Each community could own their respective wind farm and use the profits generated from green electricity production to fund public works projects in their communities. Similarly, the City of St. John's could activate its plans to harness the methane gas at Robin Hood Bay to produce electricity.

This would displace the need for costly long-distance transmission lines running down from Labrador

Nalcor not interested

Unfortunately, Nalcor is not interested in expanding Newfoundland and Labrador's green non-hydro renewable energy potential.

At various times it has expressed this sentiment in the context that wind energy will compete with existing island-based hydro-electric production and that if it expanded wind energy production on the island, it would be "spilling water" because of the excess electricity on the grid.

However, with the construction of a transmission line to Nova Scotia, all excess electricity produced in Newfoundland could be sold to the Maritime provinces.

There it can have an even more positive environmental effect if it is used to displace the 14 coal and oilfired generating stations which produce copious amounts of greenhouse gas emissions and acid rain which now, because of prevailing winds, are dumped on Newfoundland.

True vision

The vision we see is the expansion of truly green renewable energy sources in Newfoundland supplemented by existing hydroelectricity to fill in the gaps when there are downtimes in renewable energy production.

Enabling feed-in tariff legislation would permit independent green renewable production to be sold on a smart grid and, in many cases, exported to the Maritimes where it can be used to reduce greenhouse gas emissions. Based on the experience in other parts of the world, and most recently in Ontario, this approach offers widespread, longterm economic growth, something we will need here when the oil runs out and while we try to attain recovery in our fisheries.

- 9 Jun 2011
- The Telegram (St. John's)

- BYMAYNARD J. CLOUTER Maynard J. Clouter is professor emeritus with Memorial University.

Is there an alternative to Muskrat Falls?

The professed objectives of our provincial government in promoting the Muskrat Falls project are to establish an assured supply of electricity for the province and to provide an export route for surplus electricity which does not involve transmission through Quebec.

The latter goal has also been noted to have the consequence of facilitating the future large-scale development of alternative energy sources, such as wind, for use within the province. Such developments are currently claimed to be inhibited by our isolation from the continental grid which would provide the required (export/import) buffer for large-scale, but necessarily intermittent, production from such sources.

Under the assumption that the “Quebec problem” is insoluble, these would seem to be obvious and laudable objectives.

There is, however, a potentially significant flaw in the argument that large-scale wind energy developments should not be contemplated under existing circumstances. In principle, the levelling of intermittent supply from wind energy conversion can be achieved by energy storage.

Indeed, Nalcor Energy itself is in the process of confirming that such energy storage technology may very well be a viable option.

I refer in particular to the Ramea project. It was launched approximately six years ago in the town of Ramea, which is located on an island off the south coast of Newfoundland and is not connected to Newfoundland’s electrical distribution system. Prior to this initiative, Ramea’s electricity supply was obtained exclusively from diesel-driven generators.

The Ramea project was conceived as a means to utilize wind energy in conjunction with energy storage via electrolytic hydrogen gas to achieve a levelling of supply while also maintaining a diesel generator as backup. Given a historic knowledge of the wind energy regime in Ramea and a sufficiently large energy storage facility, it was anticipated that diesel generation would no longer be required.

A progress report on this project can be found at www.nalcorenergy.com/assets/nalcorenergyrameareport_january2010.pdf.

It is fairly clear from this source, and other more recent information, that the facility is now in the final stages of commissioning and shows every promise of being successful.

Nalcor’s stated objective in pursuing this initiative is to eventually displace diesel-generated electricity in all so-called “isolated” communities in Newfoundland and Labrador. While applauding the foresight of those who undertook this project, it is now appropriate to question

why the proposed deployment of this technology is being contemplated only for isolated communities.

If only a modest fraction of the cost of the Muskrat Falls proposal were to be directed toward the accelerated development of largescale wind-hydrogen facilities, this environmentally benign technology could offer a viable alternative and would obviate the need for committing the province to a massive debt burden for decades to come.

An important advantage of this alternative is that it could be introduced incrementally on a town-bytown basis over many years, not only to displace diesel generation but also (Holyrood) oil-burning and hydroelectric generation.

The province's energy needs could thereby be met over an extended time period in response to escalating demand as it actually develops.

The widespread application of the technology would amount to a shift from the traditional model of centralized generation and longrange distribution to a system of distributed generation which would eventually eliminate the need for thousands of kilometres of transmission lines that now have to be maintained.

Such a system is well suited to a situation where a small population is thinly distributed over a large land area. In addition, and as stated by Nalcor, this would place our province at the forefront in the application of a green technology which has global implications.

The expected response to this suggestion is that it is premature. Perhaps so, but is there any grave danger in postponing the final decision on Muskrat Falls for a year while a thorough and objective assessment of this option is carried out? I think not.

There is no suggestion here that the Muskrat Falls project should be shelved. It could proceed independently (without the encumbrance of an estimated \$3.5-billion transmission line) with the objective of promoting industrial development in Labrador which, many would argue, should be the priority in any case.

- 7 Jun 2011
- The Telegram (St. John's)

What's the rush?

Whoa there, Kathy! What's your rush?

I think it's about time you sat back and gave more thought to the Muskrat Falls deal!

You're beginning to look a lot like Roger Grimes when he was trying to get a multitude of projects going like Voisey's Bay, Muskrat Falls, etc., prior to the fast-approaching election when he apparently assumed that these projects were going to ensure he was going to be an "elected" premier, and not just a party-appointed one.

Premier Kathy Dunderdale finds herself in the same boat — i.e. a party-appointed premier — with a provincial election looming in October. Pray tell, you're not following in Roger's footsteps, I hope.

Regardless of the election, I really think that if we are to prevent a similar situation as occurred after the signing of the regretful Churchill Falls contract — regretful for Newfoundland and Labrador, that is — we should ensure that everything is done in our favour this time.

I have read many letters to the editor concerning this deal by knowledgeable, prominent people, such as Edward Hearn, lawyer and former director of Newfoundland and Labrador Hydro; Dr. John Collins, former provincial government finance minister; professor James Feehan of Memorial University; George Martin, former high school principal in Clarenville; and Tom Careen of Placentia, among others, who have declared their dissatisfaction with, and their concerns about, the viability of the Muskrat Falls project and the immense amount of debt we will be faced with in the future, if it goes ahead.

They cannot apparently comprehend what's taking place, unless we are plunging headlong into this massive undertaking which is going to cost all citizens of the province a huge rise in electricity rates, while passing it along to other users at a much lower rate, unless the government's plan is to show ourselves as good neighbours to the Maritime provinces.

Unfortunately, it appears apparent that instead of the premier endeavouring to get these people together in a forum with other professionals and have the whole issue thoroughly debated, she seems willing to speed ahead with the deal, which will most likely cost us a lifelong financial burden, just to show who is handling the reins.

I believe the electorate is generally more aware politically than ever before, and if this deal is approved by the present government before the October election, they will most certainly recognize the reason why it was handled in such a hurry. Fred Carter St. John's

- 4 Jun 2011
- The Telegram (St. John's)
- Maurice E. Adams Paradise

With the blessing of the people

The Telegram's editorial of June 1, "Sound advice," quotes Premier Kathy Dunderdale as follows: "Now, Mr. Speaker, my own personal view is if anybody goes to represent the people of this province then they should have the blessings of the people of this province."

Well then, using your own words, Premier Dunderdale, how can you lead this province and "represent the people" on this multi-billion-dollar, debt-infested, high-cost Muskrat Falls project — without having "the blessings of the people"? Neither the project itself, nor your anointment through an undemocratic fumbling with the constitution of the Progressive Conservative Party of Newfoundland and Labrador, has "the blessings of the people."

Accordingly, if you truly believe that your leadership must have “the blessing of the people,” then you can only “represent the people” on Muskrat Falls after the election.

Let’s see what the people think before you put us into billions more in debt, dramatically increase the power bills of Newfoundland and Labrador consumers — all while giving our business competitors and the people of Nova Scotia Muskrat Falls power for free.

- 4 Jun 2011
- The Telegram (St. John’s)
- Bob Wakeham
- Bob Wakeham has spent more than 30 years as a journalist in Newfoundland and Labrador. He can be reached by email at bwakeham@nl.rogers.com.

The bad smell of things muskrat

My late Uncle Bill Judge of Grand Falls, among the best and funniest storytellers I’ve ever known (and an incredibly fine man to boot), always gave me a good laugh with his recollection of driving his father, my grandfather, Joe Judge, right off his rocker whenever he brought muskrats home from the woods to be cooked up.

“The rats,” as casually referred to by Bill (obviously unbothered by a word associated with bad-press rodents whose mere mention, let alone actual sightings, give most souls the cold shivers) were trapped by him and his buddy Jerome Power when they were young fellas hunting just about anything that moved in the central Newfoundland area.

Bill and Jerome thought of “the rats” as the cat’s meow, so to speak, a grand feed to be fried up in the Judge family home on Monchy Road (Bill did admit to me that his constitution must have been much stronger when he was in his twenties, because later in life, he couldn’t conceive of munching down a “rat” for lunch).

But Pop Judge never took to “the rats” being in the house, first nor last.

And it was the smell that Bill said really drove Pop Judge around the bend.

Pop claimed the entire house stank for days after Bill had cooked up the esthetically challenged, longtailed animals, and he could be heard muttering “God damn rats” as he vigorously scrubbed any countertop or pot or pan, anything in the kitchen, in fact, that had come in contact with them.

Bill told me it was impossible to disagree with Pop about the aroma: the muskrats did, indeed, give off a powerful smell, one that remained bunked down in the nasal passages for an uncomfortably prolonged period of time.

So, if you’ll allow for a quantum leap here, I couldn’t help but recall this past week the stench of Bill’s “rats” when reading and hearing about another muskrat that appears to be smelling up an awful lot of Newfoundland homes these days: the proposed Muskrat Falls power development.

Newfoundland Liberals, at least the crowd who attended the party's annual convention last weekend (judging by media reports, it was not the rip-snorting, cheerleading extravaganza you'd usually expect at these exclusively partisan, swallow-the-Kool-Aid gatherings) have decided that criticism of the Muskrat Falls proposal will be one of the most significant planks in the platform they will display in next October's provincial election. (Leave it to politicians to ruin the first real glimpse we've had of spring, reminding us that the leaves of autumn will be making their descent in no time at all, around the month Newfoundlanders will be deciding whether they want to take Kathy, Yvonne or Lorraine to the Confederation Building election ball.)

Other smells

Now I can't claim, nor can most people in this province (as far as can be judged), to completely understand or have a clear, definitive view on the Muskrat Falls project (it's about as tangled as cheap fishing line on a Zeller's spinning reel). But it's hard to deny the fact that Muskrat is starting to smell the way Uncle Bill's "rats" did 60-odd years ago.

And right from the get-go, there was a stench associated with Muskrat, the announcement of the project coinciding with Danny Williams' abrupt departure from government, a politician consumed with his legacy, a man who had virtually promised that a Lower Churchill deal would have to be consummated before he retired. It all happened quickly and somewhat conveniently, abounding, though, in qualifiers galore, displaying more holes than you might find on a downtown street in St. John's in the spring.

Subsequently, there were gab sessions aplenty around woodstoves and water coolers in Newfoundland during which people wondered whether the deal with Nova Scotia was expedited, the question marks camouflaged (not all that successfully) by government, all part of an effort to allow Williams to leave the premier's office with his head held high, the crown still in place.

Williams passed the Muskrat torch to Kathy Dunderdale (the two present stars of the ongoing soap opera, "The Rift"), an assignment she has not handled with any apparent ease as she takes fire almost daily from Yvonne Jones and company.

Now you'd expect the Liberals, in particular, to exploit the fact that many Newfoundlanders appear worried they might have to swallow a bitter Upper Churchill-like pill (although Jones' questions in the legislature carried more weight than will that amateurish, foolish bit of cartooned animation unveiled at last week's convention).

But others without an active political agenda — the former Tory finance minister John Collins comes to mind, as does a former member of the Hydro board of directors, Ed Hearn, (carrying some light political baggage) — have also wondered about the strategy surrounding Muskrat Falls.

It all has to make you wonder whether, in fact, it makes imminent sense to give the project an independent financial analysis of the type being suggested by the Opposition.

In any case, the government has a hell of a selling job to do before now and next October to convince people in this province that this project will not turn into an expensive white elephant for Newfoundlanders and a gift horse for Maritimers.

There's a whiff, a stink — like Uncle Bill's "rats" — very much in the air.

A postscript: Those readers made ill by last weekend's piece about Fabian Manning and Sammy the Moose will be overjoyed to know their sermons have left me truly chastened, and that I have spent the past seven days and nights at the Grotto here in Flatrock, seeking forgiveness from the gods of journalism.

4 Jun 2011

The Telegram (St. John's)

Russell Wangersky

Russell Wangersky is The Telegram's editorial page editor. He can be reached by email at rwanger@thetelegram.com.

Dunderdale's done deal

A representative of the premier's office wrote a note after my column last week about Premier Kathy Dunderdale's new reticence to answer questions, asking for a correction and saying that reporters were not told she was at the MacMorran Centre as an MHA rather than as a premier — instead, what they "were told is that the premier would have some time for questions but was on a very tight schedule that day, especially given the many people — her constituents — at the event who wished to speak with her."

Fair enough — even if the complaint completely ignores the issue of Dunderdale choosing to dodge questions.

You could say that the premier's office is hung up on the minutiae, while ignoring the larger issue.

But that's far from unique in government. Focus on the small, while the larger issues go by the boards. Take the House of Assembly. It was refreshing to see the premier not only answering questions last week, but being cornered into answering questions that she had refused to come out of the House of Assembly to answer only a week earlier. Sad, then, that the House of Assembly closed this past week, and from now on, appearances will be closer and closer to the fall election, and events will more and more carefully staged with every passing day.

The House closing was lauded by Government House Leader Joan Burke, who issued a press release saying "significant accomplishments were made during this session, including some much-needed updates and amendments to various pieces of legislation. The Fourth Session of the 46th General Assembly resulted in 31 pieces of legislation and two resolutions being passed."

Of those, two warranted mention by Burke: an update to legislation concerning vulnerable adults, and a new act governing doctors.

Of those 31, 29 passed without a single amendment, and many passed with next to no debate whatsoever.

Dig deeper, and the legislative load gets even lighter: Bill 6 moved the time the clocks move ahead or fall back from midnight to 2 a.m., bringing us into line with, well, the rest of North America. Bill 11 increases the maximum amount of a claim in Small Claims Court from \$5,000 to \$25,000. Bill 8 got rid of the province's Law Reform Commission.

And so on and so forth: out of 31 Bills considered in the House this session, 18 consisted of only a single page of legislation. Another five were three pages long or less, meaning that some 23 bills out of 31 came to a whopping 32 pages of legislation, or less to consider than one issue of Maclean's.

Meanwhile, big things have been happening in the province: the provincial government has signed a term sheet to develop Muskrat Falls and, as we speak, the whole thing looks pretty much like a done deal.

Dunderdale has said the project is undergoing a third independent review (she's also suggested Nalcor "might" release the first two reviews), but the government has already said that the review "will show" that the project will provide the lowest-cost power available to the province.

(It's one thing to be confident — it's another, slightly different thing to be able to pronounce what the results of an independent study will be before the contract for that study has even been signed.)

Then, there's the hiring. SNC-Lavalin, a main contractor for the project-that-isn't-yet, has been recruiting scores of engineers — dam-and-slope geotechnical engineers and transmission line design electrical engineers — for weeks now. They have ads out for construction managers, construction supervisors, contract managers and labour relations managers. That work started in March.

Here's a snippet of the press release SNC-Lavalin put out at the time, saying it had signed a contract with Nalcor Energy to deliver Phase 1 of the Muskrat Falls project: "Phase 1 of the Lower Churchill project will consist of the Muskrat Falls generating facility with a capacity of 824 MW. The transmission system project will include 1,200 km of high voltage direct current overhead transmission lines crossing from Labrador to the island of Newfoundland via subsea cables and associated converter stations, as well as high voltage alternating current overhead transmission lines interconnecting the Muskrat Falls facility to the Churchill Falls Generating Station. Services will begin immediately." Immediately. Yet at this point, there hasn't been a stain of legislation in the House of Assembly to even come close to moving the project forward, let alone legislative approval for the billions of dollars we'd have to borrow to finance the venture.

Now, big projects have big leadtimes, and the time frame here is tight. The term sheet signed by the government was only good for a year, meaning it will expire on Nov. 18, 2011.

Meanwhile, there's a provincial election on Oct. 11, so there won't be a session of the House before the next vote.

If the Tories win — as they are likely to, given the sorry state of the opposition — expect them to say they've been given a mandate to go ahead with the project, even if that's a huge reach of logic.

When the deal does finally go through the House, it's going to go through in a rush. In all likelihood, the final deal will have to be approved (if it even goes to the House, because newly elected governments have regularly cancelled the fall session of the House of Assembly) in a handful of days, at best.

If the House were to go back in session the day after the election (it won't) there would be a maximum of 22 days to consider the final deal.

What does it look like? *Fait accompli*.

Is there any value, at this point, in pointing out that haste makes waste?